



Annual Report 2016

ICC Textiles Ltd



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COMPANY INFORMATION

Board of Directors

- Mr. Shafiq A. Siddiqi Chief Executive
- Mr. Javaid S. Siddiqi
- Mr. Pervaiz S. Siddiqi
- Mrs. Fauzia Javaid
- Mr. Salman Javaid Siddiqi
- Mr. Asim Pervaiz Siddiqi
- Mr. Adnan Javaid Siddiqi

Audit Committee

- Mr. Salman Javaid Siddiqi Chairman
- Mr. Pervaiz S. Siddiqi Member
- Mrs. Fauzia Javaid Member

HR&R Committee

- Mr. Pervaiz S. Siddiqi Chairman
- Mr. Javaid S. Siddiqi Member
- Mr. Asim Pervaiz Siddiqi Member

Company Secretary

- Mr. Sohail Ashraf

Chief Financial Officer

- Mr. Javed Rashid

Auditors

- Grant Thornton Anjum Rahman
Chartered Accountants
01-Inter Floor, Eden Centre, Jail Road, Lahore.

Bankers

- MCB Bank Limited
- Faysal Bank Limited
- Bank AL Habib Limited
- United Bank Limited
- Allied Bank Limited
- Habib Metropolitan Bank Limited

Legal Advisor

- Imtiaz Siddiqi Associates
179/180-A, Scotch Corner, Upper Mall Scheme,
Lahore-Pakistan. Tel: 042-35758573-35758574
Fax: 042-35758572

Shares Registrar

- Corplink (Pvt.) Ltd.
Wings Arcade, 1-K Commercial Model Town,
Lahore. Ph: 042-35916714, 35916719
Fax : 042-35869037

Registered Office

- 242-A, Anand Road, Upper Mall, Lahore.
Ph: 042-35751765-67
Fax : 042-35789206
Web site : www.icctextiles.com

Factory

- 32-K.M. Lahore-Multan Road,
Sunder, Distt. Lahore.
Ph: 042-35975426-27
Fax : 042-35975428



Notice of Annual General Meeting

Notice is hereby given that the Twenty Eighth (28th) Annual General Meeting of ICC Textiles Limited will be held at Company's Registered Office at 242-A, Anand Road, Upper Mall, Lahore on Monday, October 31, 2016 at 10:30 a.m. to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on October 07, 2016.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2016 together with the Directors' and Auditors' Reports thereon.
3. To appoint statutory auditors for the year ending June 30, 2017 and to fix their remuneration.
4. Any other business with the permission of the Chair.

By Order of the Board

**LAHORE:
October 08, 2016**

SOHAIL ASHRAF
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from 22.10.2016 to 31.10.2016 (both days inclusive). No transfer will be accepted for registration during this period.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. The CDC Account Holders are requested to bring their original CNIC and participant ID to attend the meeting.
3. Shareholders are requested to promptly notify the change in their address, if any, to the Company's Shares Registrar M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore.



DIRECTORS' REPORT TO THE MEMBERS

On behalf of the board of directors, I take pleasure in presenting the audited financial statements of the company pertaining to the financial year ended on June 30, 2016.

Financial Highlights

The company incurred an after tax loss of Rs. 211.063 million on total sales of Rs. 443.604 million as against an after tax loss of Rs. 63.965 million on total sales of Rs. 540.948 million in the preceding period.

● Sales	Rs.	443,604,149
● Gross Profit / (Loss)	Rs.	-130,633,724
● Operating Profit / (Loss)	Rs.	-164,885,439
● Finance Cost	Rs.	52,711,509
● Profit / (Loss) after tax	Rs.	-211,063,370
● Unappr. (Loss) brought forward	Rs.	-625,212,279
● Total Accumulated (Loss)	Rs.	-816,970,385
● Earning/(Loss) per share	Rs.	-7.04

Period under Review

The textile manufacturing sector in the country continues to face financial hardship due to adverse government policy, which is clearly visible from the decline in our export figures. The energy price is among the highest in the region, as the benefit of low oil price has not been fully passed on to the industrial consumer. The exchange rate of Pakistan rupee is being maintained at a high level, while the duty drawback and rebates have been reduced to a negligible level. Moreover, the taxation regime has become harsh, while the long overdue Sales tax refunds are still withheld by the government, despite numerous promise of early release. The problem was further compounded by the depressed market condition with reduced demand at low prices.

The following factors influenced the performance of the company during this period:

- Fabric production in Sq Meters at 60 picks increased by 2.358 million (24%) as compared to previous year i.e. from 9.979 million to 12.337 million. The higher production was attributed to reduction in power load shedding.
- The Company's sales in Sq Meters at 60 picks increased by 2.521 million (25%), i.e. 12.595 million from 10.074 million. The cost of sales reduced by Rs. 19.84 per sq meter (at 60 picks) i.e. from Rs. 65.43 to Rs. 45.59, however, the net sale rate per sq meter (at 60 picks) had also been reduced by Rs. 18.48 i.e. from Rs. 53.70 to Rs. 35.22 mainly due to shifting of production pattern towards conversion sales. The negative financial impact works out at Rs. 12 million approx.



- Financial cost has been decreased from Rs. 62.867 million to Rs. 52.712 million.
- Other income has been reduced by Rs. 101.326 million i.e from Rs. 152.559 million to Rs. 51.233 million; and
- US\$ exchange rate increased from Rs. 101.70 on June 30, 2015 to Rs. 104.50 on June 30, 2016. (Although still overvalued)

Future Strategy and Prospects

We are continuing on our plan to consolidate the company's affairs by selling off old and obsolete machinery to reduce our debt burden and curtailing our overall expense and liability, due to uncertainty in securing industrial gas connection, which is essential for cheaper and continuous gas based electricity. You may recall that the Board of directors of the company had decided in June 2016 to dispose off, energy intensive 78 air-jet looms with complete back process equipment, which are no more financially viable and are causing continuous losses.

Bank borrowings have been reduced from Rs. 330 million on June 30, 2015 to Rs. 318 million on June 30, 2016.

In this respect, subsequent to balance sheet date, 23 Sulzer cam looms and 78 air jet looms with back process have been sold. However, the lifting of equipment and respective receipts are under process. Accordingly, the bank borrowing has been reduced by Rs. 28.8 million after June 2016, which will be further reduced in the near future.

While the government ban on Industrial gas connections is still in place, we now foresee this to be lifted soon, as a new source of LNG gas is now available in the country. Most textile units previously using natural gas for their captive power plants have now been allocated LNG. We, at ICC Textiles, have also applied for LNG allocation which hope fully will be approved soon. We are closely monitoring general textile environment and are also evaluating investment in new technology air jet looms based on the concessional LTFF financing. The new generation looms have much higher productivity and require lower energy consumption.

Meanwhile, your directors have decided to operate remaining 40 Sulzer dobby looms, after major overhauling, with right sizing of staff and reduced factory overheads. Moreover, the directors have further decided to rent out precious vacant factory building and / or open land to generate revenue to sustain through this difficult time.

Contingencies and commitments

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which the balance sheet relates and the date of Directors' Report, except as disclosed in the financial statements.



Outstanding Statutory Dues

There are no outstanding statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2016 except for those disclosed in the financial statements.

Corporate Social Responsibility

Your company is a responsible corporate citizen and fully recognizes its responsibility towards community, employees and environment.

Corporate and Financial Reporting Framework

In order to follow the SECP code of corporate governance, the following statements are given:

Presentation of Financial Statements

The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flow and changes in equity.

Books of Accounts

Proper books of accounts have been maintained by the Company.

Accounting Policies

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 (IFRS)

International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

Internal Control System

The system of internal control is sound in design and has been effectively implemented and monitored.

Going Concern

Without qualifying their opinion, Company's auditors, in their report, have drawn your attention to note 1.2 and 7.2 to the financial statements, which describes that the Company's current liabilities exceeded its current assets by Rs. 404.030 million, and its accumulated losses stood at Rs. 816.970 million and during the year ended June 30, 2015, it has also got rescheduling of its liabilities due towards one bank and markup savings thereof as mentioned in note 7.2 subject to repayment of outstanding liabilities by December 31, 2016. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.



These financial statements have, however, been prepared on going concern basis on the grounds that the company will be able to achieve satisfactory levels of profitability in the future based on plan drawn up by the management for this purpose and bringing its liabilities to serviceable levels and availability of the adequate working capital from its lenders and sponsors.

To substantiate its going concern assumption the directors have decided to consolidate the company's resources and settle / reduce bank's finance facilities, as elaborated in "Future Strategy" to pass through this difficult time, and;

- i Directors of the company have invested as long term interest free loans amounting to Rs. 70.459 million during the year, thus making total interest free loans amounting to Rs. 321.531 million as on June 30, 2016 to meet working capital requirements and reduce bank borrowings. The sponsors of the company are committed to continue such support in future.
- ii One director of the company, in June 2015, sold his property to MCB Bank Limited under buy-back arrangements, and advanced the proceeds amounting to Rs. 140 million as long term loan to the company against partial settlement of finance facilities of the bank. Only cost of funds of MCB Bank Limited is payable to the bank by the company at the time of exercise of buy-back option by the director.
- iii The company had installed Six additional Air-jet looms (190cm) in May 2013, through sponsors' financing, which increased the rated capacity of the plant.
- iv In a meeting held on May 13, 2013 board of directors of ICC (Pvt.) Ltd., an associated company, has decided to waived off the following loans advanced to ICC Textiles Limited from time to time:
 - Long term interest free loans amounting to Rs. 189.150 million having carrying value, in ICC Textiles books, of Rs. 48.801 million; and
 - Short term interest bearing loans of Rs. 30.850 million.
- v In April 2011, the company had raised its paid-up capital by Rs. 200.003 million by converting loans from associated company, directors and their family members by issuing further 20,000,320 ordinary shares of Rs. 10 each at par in order to reduce dependency on external debts and financial cost of the company.

Corporate Governance

The Company's auditors, in their review report to the members have mentioned regarding non appointment of independent director(s) as required by the Code of Corporate Governance. The company is making effort and hopefully resolve the issue by Dec 2016. There has been no other material departure from the best practices of corporate governance, as detailed in the listing regulations of stock exchanges.



Operating and Financial Data

Key operating and financial data of last six years is as under:

SIX YEARS AT A GLANCE

	(Rs. in million)					
	2011	2012	2013	2014	2015	2016
● Sales (Rs.)	2,246.377	1,778.224	1,728.459	1,234.768	540.948	443.604
● Gross profit/(loss) (Rs.)	64.754	(55.374)	4.794	(68.916)	(118.158)	(130.634)
● Net profit/(loss) after tax (Rs.)	(98.936)	(82.897)	2.984	(73.401)	(63.965)	(211.063)
● Fixed assets (Rs.)	952.641	1,015.677	979.040	933.611	928.706	675.842
● Long term liabilities (Rs.)	172.840	64.527	33.299	52.185	274.612	270.570
● Retained earnings (Rs.)	(489.971)	(554.301)	(535.519)	(592.182)	(625.212)	(816.970)
● Gross profit rate	2.9%	(3.1%)	0.3%	(5.6%)	(21.8%)	(29.4%)
● Net profit rate	(4.4%)	(4.7%)	0.2%	(5.9%)	(11.8%)	(47.6%)
● Current ratio	0.55:1	0.37:1	0.35:1	0.28:1	0.34:1	0.21:1
● Share break up value (Rs.)	(18.99)	(8.47)	(7.85)	(9.74)	(10.84)	(17.23)
● Earning per share (Rs.)	(6.80)	(2.76)	0.10	(2.45)	(2.13)	(7.04)
● Dividend	Nil	Nil	Nil	Nil	Nil	Nil

Staff Retirement Benefits

Value of unfunded gratuity scheme, based on actuarial valuation, at the period end was Rs.72.777 million (2015: Rs. 69.014 million).

Board and Committees Meetings

During the year July 2015 to June 2016, Nine meetings of the Board of Directors, Seven meetings of audit committee and Two meetings of HR & R committee were held. Attendances by the Directors were as follows:

Name of Directors	Attendance	Remarks
Board of Directors		
Mr. Shafiq A. Siddiqi	9	
Mr. Javaid S. Siddiqi	8	
Mr. Pervaiz S. Siddiqi	8	
Mrs. Fauzia Javaid	5	
Mr. Salman Javaid Siddiqi	9	
Mr. Asim Pervaiz Siddiqi	5	
Mr. Adnan Javaid Siddiqi	3	
Audit Committee		
Mr. Salman Javaid Siddiqi	7	
Mr. Pervaiz S. Siddiqi	6	
Mrs. Fauzia Javaid	7	
HR & R Committee		
Mr. Pervaiz S. Siddiqi	2	
Mr. Javaid S. Siddiqi	2	
Mr. Asim Pervaiz Siddiqi	2	



Pattern of Shareholding

The Pattern of shareholding as required by the Code of Corporate Governance is attached with this report.

Trading of Company Shares

During the financial year there was no trading in shares of the company by Directors, Company Secretary, CEO, CFO and Executives of the Company (including their spouses and minor children).

Audit Committee

The Audit Committee comprises 3 members and all of them are non-executive directors.

HR And Remuneration Committee

The HR and Remuneration Committee comprises 3 members, of whom 2 are non-executive directors.

Evaluation of Board's Own Performance

Board of directors has developed a mechanism for an annual evaluation of the board's own performance.

Auditors

M/s Grant Thornton Anjum Rahman, Chartered Accountants will retire at the conclusion of 28th Annual General Meeting. They have expressed their willingness for reappointment. The Audit Committee has recommended their reappointment.

Dividend

Considering the results for the year, the board is not recommending disbursement of any dividend for the period ended June 30, 2016.

Acknowledgement

Finally, the directors would like to record their appreciation for the continued commitment and hard work being carried out by the employees of the company.

For and on behalf of the Board of Directors

LAHORE:
October 08, 2016

Sd/-
SHAFIQ A. SIDDIQI
Chief Executive



Statement of Compliance with Best Practices of Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the relevant listing Rules 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 CCG in the following manners:

1. Although company encourages representation of independent non-executive directors, no independent director was on Board of Directors of the company. At present, the Board includes:

Category	Names
Independent	—
Executive Directors	Mr. Shafiq A. Siddiqi Mr. Javaid S. Siddiqi
Non-Executive Directors	Mr. Pervaiz S. Siddiqi Mrs. Fauzia Javaid Mr. Salman Javaid Siddiqi Mr. Asim Pervaiz Siddiqi Mr. Adnan Javaid Siddiqi

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy arose in the Board of Directors during the year.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of Chief Executive and other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by a director elected as chairman by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. One director has already completed Director Training Program. Two of the Directors of the Company are exempted from the requirement of the directors' training program, and one of the remaining Directors will be trained within specified time according to Rule Book of Pakistan Stock Exchange.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit made during the year.
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 three members, all the members including chairman are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of references of the committee have been formed and advised to the committee for compliance.



17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom 2 are non-executive directors and the chairman is non-executive director.
18. The Board has set up an effective internal audit function comprised of personnel considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the 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's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

LAHORE:
October 08, 2016

Sd/-
SHAFIQ A. SIDDIQI
Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of ICC Textiles Limited (the Company) for the year ended June 30, 2016 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange where the Company is listed.

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

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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 recommendations of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendations 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 to the Company for the year ended June 30, 2016.

Further, we highlighted below instance of non-compliances with the requirements of the Code as reflected in following paragraphs where these are stated in the Statement of Compliance:

Paragraph:

Reference	Description
1 & 15	The Board and audit committee of the Company do not have any independent director as required by the Code.

GRANT THORNTON ANJUM RAHMAN

Chartered Accountants

Engagement Partner: Imran Afzal

Lahore

Dated: October 08, 2016

Auditors' Report to the Members

We have audited the annexed balance sheet of ICC Textiles Limited ("the Company") as at June 30, 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 June 30, 2016 and of the loss, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention towards note 1.2 and 7.2 to the financial statements which describes that as at June 30, 2016, the Company's current liabilities exceeded its current assets by Rs. 404.030 million and its accumulated losses stood at Rs. 816.970 million and during the year ended 30 June 2015, it has also got rescheduling of its liabilities due towards one bank and markup savings thereof as mentioned in note 7.2 subject to repayment of outstanding liabilities by December 31, 2016. These conditions indicate existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern. These financial statements have, however, been prepared on a going concern basis for the reasons, as more fully explained in note 1.2 to the financial statements.

GRANT THORNTON ANJUM RAHMAN

Chartered Accountants

Engagement Partner: Imran Afzal

Dated: October 08, 2016



BALANCE SHEET

AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVES			
Authorized share capital 32,000,000 (2015: 32,000,000) ordinary shares of Rs. 10 each		320,000,000	320,000,000
Issued, subscribed and paid-up share capital	4	300,011,200	300,011,200
Accumulated loss		(816,970,385)	(625,212,279)
		(516,959,185)	(325,201,079)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	5	523,687,940	572,767,763
NON CURRENT LIABILITIES			
Long term financing from directors	6	270,570,409	228,862,462
Long term financing from commercial banks	7	-	45,749,597
Deferred liabilities	8	142,772,428	165,660,057
		413,342,837	440,272,116
CURRENT LIABILITIES			
Trade and other payables	9	161,006,389	116,041,846
Accrued markup	10	30,453,900	12,238,172
Short term borrowings	11	124,319,088	149,947,765
Current portion of long term liabilities	12	192,496,743	138,200,000
		508,276,120	416,427,783
		928,347,712	1,104,266,583
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 40 form an integral part of these financial statements.



	Note	2016 Rupees	2015 Rupees
<u>ASSETS</u>			
NON CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT			
Owned assets	14	675,842,075	928,705,541
LONG TERM LOANS AND ADVANCES	15	29,000	775,000
LONG TERM DEPOSITS	16	1,629,034	1,629,034
CURRENT ASSETS			
Stores, spare parts and loose tools	17	25,123,900	31,517,543
Stock in trade	18	14,551,946	39,747,498
Trade debts	19	9,576,623	15,101,797
Loans and advances	20	3,603,334	4,130,187
Short term prepayments and other receivables	21	12,109,674	13,955,548
Income tax refundable - net		27,838,952	22,883,655
Cash and bank balances	22	11,442,103	12,378,280
		104,246,532	139,714,508
Non-current assets classified as held for sale	23	146,601,071	33,442,500
		928,347,712	1,104,266,583

Sd/-
Director

Sd/-
Chief Executive 15



PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
SALES	24	443,604,149	540,947,637
COST OF SALES	25	(574,237,873)	(659,105,601)
GROSS LOSS		(130,633,724)	(118,157,964)
DISTRIBUTION COST	26	(4,705,792)	(10,330,726)
ADMINISTRATIVE EXPENSES	27	(34,771,153)	(36,321,687)
OTHER EXPENSES	28	(46,007,762)	(784,075)
OTHER INCOME	29	51,232,992	152,558,822
OPERATING LOSS		(164,885,439)	(13,035,630)
FINANCE COST	30	(52,711,509)	(62,866,923)
LOSS BEFORE TAXATION		(217,596,948)	(75,902,553)
TAXATION	31	6,533,578	11,937,791
LOSS AFTER TAXATION FOR THE YEAR		(211,063,370)	(63,964,762)
LOSS PER SHARE - BASIC AND DILUTED	32	(7.04)	(2.13)

The annexed notes 1 to 40 form an integral part of these financial statements.



STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

Note	2016 Rupees	2015 Rupees
		Restated
LOSS AFTER TAXATION FOR THE YEAR	(211,063,370)	(63,964,762)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified to profit or loss		
Remeasurement chargeable in other comprehensive income	5,248,757	4,579,795
Total other comprehensive income for the year	5,248,757	4,579,795
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(205,814,613)	(59,384,967)

The annexed notes 1 to 40 form an integral part of these financial statements.



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year before taxation	(217,596,948)	(75,902,553)
Adjustments for:		
Depreciation on owned assets	40,510,759	46,935,751
Gain on disposal of fixed assets	(586,897)	(34,624,330)
Impairment of assets classified as held for sale	45,192,151	-
Amortization of interest free loan	(50,268,051)	(79,225,819)
Unwinding of discount	28,635,572	13,616,227
Amortization of transaction cost	1,428,571	357,143
Staff gratuity	16,029,282	16,608,373
Finance cost	24,075,937	49,250,696
	105,017,324	12,918,041
	(112,579,624)	(62,984,512)
Decrease in current assets		
Stores, spare parts and loose tools	6,393,643	3,644,359
Stock in trade	25,195,552	36,833,762
Trade debts	5,525,174	5,493,593
Loans and advances	526,853	1,299,367
Short term prepayments and other receivables	1,845,874	24,572,530
	39,487,096	71,843,611
Increase / (Decrease) in current liabilities		
Trade and other payables	44,964,543	(36,413,605)
Net cash used in operation	(28,127,985)	(27,554,506)
Finance cost paid	(5,860,209)	(67,508,077)
Taxes paid	(5,345,072)	(5,016,589)
Gratuity paid	(7,016,655)	(4,902,290)
Transaction cost paid	-	(2,500,000)
	(18,221,936)	(79,926,956)
Net cash used in operating activities	(46,349,921)	(107,481,462)



Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) / Decrease in long term loans and advances	746,000	(585,000)
Sale proceeds of fixed assets	646,500	58,749,707
Fixed capital expenditure incurred	(809,080)	(743,302)
Net cash from investing activities	583,420	57,421,405
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in short term borrowings - net	(25,628,677)	(351,947,529)
Long term financing obtained from directors	70,459,001	228,360,202
Long term financing obtained from commercial banks	-	184,123,320
Net cash from financing activities	44,830,324	60,535,993
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(936,177)	10,475,936
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12,378,280	1,902,344
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22 11,442,103	12,378,280

The annexed notes 1 to 40 form an integral part of these financial statements.



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

Description	Note	Paid-up Capital Rupees	Accumulated Loss Rupees	Total Rupees
		A	B	C=A+B
Balance as at July 01, 2014		300,011,200	(592,182,052)	(292,170,852)
Other comprehensive income for the year		-	4,579,795	4,579,795
Loss for the year		-	(63,964,762)	(63,964,762)
Total comprehensive income for the year		-	(59,384,967)	(59,384,967)
Transfer from surplus on revaluation of property, plant and equipment - net of tax		-	26,354,740	26,354,740
Balance as at June 30, 2015		300,011,200	(625,212,279)	(325,201,079)
Other comprehensive income for the year		-	5,248,757	5,248,757
Loss for the year		-	(211,063,370)	(211,063,370)
Total comprehensive income for the year		-	(205,814,613)	(205,814,613)
Transfer from surplus on revaluation of property, plant and equipment - net of tax		-	14,056,507	14,056,507
Balance as at June 30, 2016		300,011,200	(816,970,385)	(516,959,185)

The annexed notes 1 to 40 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1 STATUS AND NATURE OF BUSINESS

- 1.1 ICC Textiles Limited ("the Company") was incorporated in Pakistan on May 25, 1989 as a public limited company under the Companies Ordinance, 1984. The shares of the Company are listed on the Lahore and Karachi Stock Exchanges in Pakistan. The principal activity of the Company is manufacturing and sale of greige fabric. The registered office of the Company is situated at 242-A, Anand Road, Upper Mall, Lahore.
- 1.2 During the year, the Company suffered a loss amounting to Rs. 211.063 million and has accumulated losses amounting to Rs. 816.970 million at the year end. In addition, the Company's current liabilities exceeded its current assets by Rs. 404.030 million at the year end. These conditions indicate existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as going concern and therefore, may be unable to realize its assets and discharge its liabilities in normal course of business. Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability and liquidity in the future and continuous support of financial institutions by bringing its liabilities to serviceable levels and ability of adequate working capital through continued support from:
- (a) the principal lenders of the Company; and
 - (b) the sponsors of the Company.

These financial statements have been prepared on going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability and liquidity in the future based on the plans drawn up by the management for this purpose, bringing its liabilities to serviceable levels and availability of the adequate working capital from its lenders and sponsors.

To substantiate its going concern assumption:

- i In order to consolidate the Company's resources, due to uncertainty in securing industrial gas connection, which is essential for cheaper and continuous gas based electricity, the Board of directors of the Company had decided during the year to dispose off 78 old energy intensive air-jet looms, with complete back process equipment, which are no more financially viable and are causing continuous losses and subsequent to June 30, 2016, 78 air-jet looms with back process and 23 sulzer looms have been sold.
- ii Bank borrowings have been reduced from Rs. 330 million on June 30, 2015 to Rs. 318 million on June 30, 2016. Moreover, Rs. 28.80 million have further been paid to the banks to reduce the banks borrowings subsequent to balance sheet date.
- iii The directors have further decided to operate 40 Sulzer Dobby looms, after long overdue major overhauling, with right sizing of staff and reduced factory overheads and rent out vacant factory buildings and / or open land during next year.
- iv The Board of directors had also decided during June 2015 to consolidate the Company's resources. Accordingly, during the year ended June 30, 2015, the company managed to repay the term loan amounting to Rs. 14.896 million and reduce the running finance facilities from Rs.



480 million to Rs. 330 million. During year ended June 30, 2015, thirty seven sulzer looms were disposed off and one director of the company sold his property to MCB Bank Limited under buy-back arrangement, and advanced such proceeds amounting to Rs. 140 million as long term loan to the company for partial settlement of the finance facilities. Only cost of funds of MCB Bank Limited is payable to the MCB Bank by the Company at the time of exercise of buy-back option by the director.

- v Few directors of the company have invested as long term interest free loans amounting to Rs. 70.459 million during this year, thus making total interest free loans amounting to Rs. 321.531 million as on June 30, 2016 to meet working capital requirements of the company and settlement of banks' finance facilities. The sponsors of the company would continue such support in future.
- vi The company had installed six additional air-jet looms during May 2013, through sponsors' financing, which increased rated capacity of the plant.
- vii In a meeting held on May 13, 2013, Board of Directors of ICC (Pvt.) Limited, associated undertaking, had decided to write off following outstanding loans advanced to ICC Textiles Limited from time to time:
 - Long term interest free loans amounting to Rs. 189.150 million having carrying value, in ICC Textiles books, of Rs. 48.801; and
 - Short term interest bearing loans of Rs. 30.850 million.
- viii During April 2011, the Company had raised its paid-up capital by Rs. 200,003,200 by converting already received loans from associated company, directors and their family members by issuing further 20,000,320 ordinary shares of Rs. 10 each at par.

The financial statements consequently do not include any adjustment relating to the realization of the assets and liquidation of its liabilities that might be necessary would the Company be unable to continue as a going concern.

2 BASIS OF PREPARATION

2.1 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 of and directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Standards, amendments or interpretations that became effective during the year

The Company has adopted the following new standards and amendments to published standards which became effective during the current year.

Standard or Interpretation		Effective Date
IFRS 10	Consolidated Financial Statements	1-Jan-15
IFRS 11	Joint Arrangements	1-Jan-15
IFRS 12	Disclosure of Interests in Other Entities	1-Jan-15
IFRS 13	Fair Value Measurement	1-Jan-15
IAS-28	Investments in Associates and Joint Ventures	1-Jan-15
IAS-27	Separate Financial Statements	1-Jan-15



Adoption of the above standards and amendments have no significant effect on these financial statements.

2.3 Standards, amendments and interpretations to the approved accounting standards that are relevant but not yet effective and not early adopted by the Company

The following standards and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or interpretation	IASB effective date
IFRS 2 Share-based Payment – Classification and Measurement of Share-based Payment Transactions (Amendments)	1-Jan-18
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendments)	1-Jan-16
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Postponed
IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)	1-Jan-16
IAS 1 Presentation of Financial Statements - Disclosure Initiative (Amendments)	1-Jan-16
IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendments)	1-Jan-17
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	1-Jan-17
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)	1-Jan-16
IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendments)	1-Jan-16
IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (Amendments)	1-Jan-16
Annual Improvements to IFRSs 2012-2014 Cycle	1-Jan-16

The company is in process of assessing the impact of these Standards and amendments to the published standards on the financial statements of the Company.

2.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

In addition to the above, following standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan ;



Standard or Interpretation		Effective Date (Annual periods beginning on or after)
IFRS 9	Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019

2.5 Basis of measurement

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

- staff retirement benefits which are measured at present value of defined benefit obligation (refer note 3.1);
- free hold land, buildings and plant and machinery which are measured at revalued amount (refer note 3.2);
- financial assets and liabilities which are measured at fair value (refer note 3.7); and
- Assets held for sale which are measured at fair value (refer note 3.16).

2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with 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, 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 discussed in note 38.

2.7 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) covering all eligible employees, payable at the cessation of employment. The liability is provided on the basis of actuarial valuation using Projected Unit Credit (PUC) Actuarial Method while movement in the liability is included in the profit or loss. The Company has a policy of carrying out actuarial valuations annually



with the assistance of independent actuarial appraisers to cover the obligations under the scheme.

Principal actuarial assumptions used in the actuarial valuation carried out as at June 30 are as follows:

- Discount rate used for year end obligation 7.25% (2015: 9.75%) per annum
- Expected rate of salary increase in future 6.25% (2015: 8.75%) per annum
- Average expected remaining working life of employees 5 years (2015: 5 years)
- Mortality rate assumed were based on the SLIC 2001-2005 mortality table (2015: SLIC 2001-2005 mortality table)

3.2 Property, plant and equipment

Property, plant and equipment are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

Furniture and fittings, vehicles, electrical appliances and office equipment

Subsequently, furniture and fittings, vehicles, electrical appliances and office equipment are measured using cost model at cost less subsequent accumulated depreciation and impairment losses, if any. Depreciation is charged to profit or loss on diminishing balance method at the rates as disclosed in note 14 so as to write off the depreciable amount of furniture and fittings, vehicles, electrical appliances and office equipment over their estimated useful lives.

Freehold land, building on freehold land and plant and machinery

Free hold land is subsequently measured using revaluation model at the revalued amount.

Buildings and plant and machinery are subsequently measured using revaluation model at revalued amount less subsequent accumulated depreciation and impairment losses, if any. Any surplus on revaluation of freehold land, building on freehold land, and plant and machinery is credited to the surplus on revaluation of property, plant and equipment account. Revaluation is carried with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred tax) is transferred directly to accumulated profit / (loss).

Depreciation on buildings and plant and machinery is charged to profit or loss on straight line method at the rates as disclosed in note 14 so as to write off the depreciable amount of these assets over their estimated useful lives.

Depreciation on additions to property, plant and equipment except freehold land is charged from the date of acquisition / capitalization / start of commercial production of the assets and depreciation on assets disposed off during the year is charged up to the date of disposal.

Gain / loss on disposal of property, plant and equipment is reflected in the income during the period in which they are incurred. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

The asset's residual values and estimated useful lives are reviewed as required, but at least annually whether or not the asset is revalued and adjusted if impact on depreciation is significant.

3.3 Finance leases

Assets subject to finance lease in which the Company bears substantially all risks and rewards of ownership of the assets are recognized at the inception of lease at the lower of present value of the minimum lease payments under the lease agreements and the fair value of the assets.

The related obligations of leases, net of finance cost, are included in liabilities against assets subject



to finance lease.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate of financial cost on the balance outstanding. The interest element of the rental is charged to income over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the assets on reducing balance method. Depreciation of the leased assets is charged to income currently.

Depreciation on additions to leased assets is charged from the date of acquisition of the assets and depreciation on assets disposed off during the year is charged up to the date of disposal.

3.4 Capital work in progress

Capital work in progress is stated at cost less any identified impairment losses.

3.5 Stores, spare parts and loose tools

These are stated at lower of cost & net realizable value using moving average method except goods in transit which are stated at lower of cost.

3.6 Stock in trade

Stock in trade is stated principally at lower of cost and net realizable value.

Cost of major components of stock in trade is determined as follows:-

Raw materials	-	At annual average cost
Work in process and finished goods	-	At prime cost plus appropriate production overheads using weighted average
Wastes	-	At net realizable value

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

3.7 Financial instruments

3.7.1 Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs. Subsequent measurement of financial assets are described below. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred

Financial assets of the Company are classified as follows:

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. These are included in current assets, except for maturities for greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables with less than twelve months maturities are classified as current assets. The Company's cash and cash equivalents, trade debts, loans and advances, deposits and other receivables fall into this category of financial instruments. Loans and

receivables are subject to review for impairment at each reporting date to identify whether there is objective evidence that the financial asset is impaired.

b) Available-for-sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the categories of loans and receivables, financial assets at fair value through profit or loss and financial assets held to maturity. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the end of reporting period.

After initial recognition, available- for-sale investments are measured at fair value in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”. Gains or losses on available-for-sale investments are recognized through other comprehensive income until the investment is sold or de-recognized, at which time the cumulative gain or loss previously reported is included in profit or loss.

Dividends on available-for-sale equity instruments are recognized in the profit or loss when the Company's right to receive payments is established.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each balance sheet date whether there is objective evidence, that a financial asset or group of financial assets is impaired. If any such evidence exists for 'available-for-sale' financial assets, the cumulative loss is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit and loss account.

3.7.2 Financial liabilities

The Company's financial liabilities include borrowings and trade and other payables.

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are measured initially at fair value, less attributable transaction costs. Financial liabilities are measured subsequently at amortized cost using the effective interest method, in accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same the lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of original liability and the recognition of new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, if any, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, if any, pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized as expense in the period in which they are incurred.

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



3.8 Foreign currencies

Transactions in currencies other than Pak Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into wherein the rates contracted for are used.

Gains and losses arising on retranslation are recorded in net profit or loss for the period.

3.9 Revenue recognition

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

- Export sales are recorded at the time of shipment. Exchange differences, if any, are adjusted in the period of realization.
- Local sales are recorded on dispatch of goods to the customers.
- Export rebates are accounted for on accrual basis.
- Interest income is recognized on time proportion basis.

3.10 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemption available, if any, and tax paid on presumptive basis.

Deferred

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

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profits will be available against which such temporary differences and tax losses can be utilized. Deferred tax liabilities are recognized for all major taxable temporary differences.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

3.11 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed recoverable amount, assets are written down to their recoverable amount



and the difference is charged to the profit or loss.

3.12 Provisions

A provision is recognized in the financial statements when the Company has legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made to the amount of obligation.

3.13 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and bank balances and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.14 Contingent liability

Contingent liability is disclosed when:

There is possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

There is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Company has a single reportable segment as the Board of Directors views the Company's operations as one reportable segment.

3.16 Non current assets held for sale

Non-current assets classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recoverable principally through a sale transaction rather than through a continuing use.



	Note	2016 Rupees	2015 Rupees
4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
30,001,120 (2015 : 30,001,120) ordinary shares of Rs. 10 each fully paid in cash		300,011,200	300,011,200
5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Surplus arising on revaluation	5.1	593,682,912	669,414,234
Less: Deferred tax arising on surplus on revaluation	5.2	69,994,972	96,646,471
		523,687,940	572,767,763
5.1 Opening balance of surplus on revaluation		669,414,234	610,490,376
Add: Surplus arising during the year - net		-	98,855,282
Less: Incremental depreciation:			
Buildings		5,689,219	4,094,129
Plant and machinery		15,290,642	35,837,295
		20,979,861	39,931,424
Less: Revaluation decrease in non-current assets classified as held for sale		54,751,461	-
		593,682,912	669,414,234
<p>The revaluation of free - hold land, buildings on free - hold land and plant and machinery was carried out by Arch-e-decon (Evaluators, Surveyors, Architects and Engineers) as at June 30, 2015. The revaluation resulted in followings:</p>			
		Rupees	
Increase in carrying value of free - hold land		133,600,000	
Increase in carrying value of buildings on free - hold land		31,901,785	
Decrease in carrying value of plant and machinery		(66,646,503)	
		98,855,282	
<p>Incremental depreciation represents the difference between actual depreciation on revalued property, plant and equipment and equivalent depreciation based on historical cost of property, plant and equipment.</p>			
<p>Surplus on revaluation of property, plant and equipment can be utilized by the Company only for the purposes specified in section 235 of the Companies Ordinance, 1984.</p>			
5.2 Related deferred tax liability on July 01		96,646,471	124,965,040
Deferred tax liability arising on revaluation		-	(11,813,204)
Tax effect on incremental depreciation		(6,923,354)	(13,576,684)
Tax effect on revaluation decrease in non-current assets classified as held for sale		(17,540,802)	-
Effect of change in tax rate		(2,187,343)	(2,928,681)
		69,994,972	96,646,471
<p>Deferred tax asset amounting to Rs. 161.707 million (2015: Rs. 212.280 million) arising on account of temporary differences mainly for property, plant and equipment, finance lease liabilities and gratuity and unused tax losses and unused tax credits has not been accounted for due to uncertainty regarding its recoverability in the foreseeable future.</p>			
6 LONG TERM FINANCING FROM DIRECTORS - Unsecured			
Interest free loans	6.1	136,816,906	93,775,173
Interest bearing loan	6.2	133,753,503	135,087,289
		270,570,409	228,862,462



	Note	2016 Rupees	2015 Rupees
6.1 Original Loan amounts	6.1.1	321,531,223	251,072,222
Less: Present Value Adjustment	6.1.2	206,132,600	167,489,773
		115,398,623	83,582,449
Add: Interest charged to profit and loss account (Unwinding of discount)		21,418,283	10,192,724
		136,816,906	93,775,173
6.1.1 These interest free loans are repayable in lump sum on June 30, 2025 (2015: June 30, 2025).			
6.1.2 These long term interest free loans have been measured at amortized cost by using weighted average interest rate ranging from 8.06 % to 11.64% (2015: 8.06% to 11.64%).			
6.2 Original Loan amounts	6.2.1 & 6.2.3	140,000,000	140,000,000
Less: Present Value Adjustment	6.2.4	9,653,031	5,180,528
		130,346,969	134,819,472
Add: Interest charged to profit and loss account (Unwinding of discount)		3,406,534	267,817
		133,753,503	135,087,289
6.2.1 A director of the company had sold, on June 11, 2015, his property amounting to Rs. 140 million to MCB Bank Limited, with a buy back option on the same price along with cost of fund, within a period of three years thereof in accordance with Finance Facilities Settlement Agreement dated May 28, 2015. The sale proceeds had been advanced to the company as long term loan and had been utilized for settlement of finance facilities extended by MCB Bank. The cost of fund would be paid by the Company to MCB Bank on exercise of buy-back option by the director.			
6.2.2 The loan is repayable in lump sum on May 28, 2018 as the director intends to exercise buy back option on that date.			
6.2.3 The markup, payable to MCB Bank, is charged equal to cost of funds of MCB Bank for the relevant period i.e. 5.65% - 6.21%. (2015: 5.65%).			
6.2.4 The long term loan has been measured at amortized cost by using weighted average interest rate i.e. 8.06% less cost of fund of the Bank i.e. 5.65%.			
7 LONG TERM FINANCING FROM COMMERCIAL BANKS - Secured			
MCB Bank Ltd.	7.1 & 7.2		
Running finance facility		339,967,656	339,967,656
Demand Finance - 1		14,896,104	14,896,104
Cost of Documents - Import Letter of Credit		955,664	955,664
		355,819,424	355,819,424
Less: Repayments up to June 30		155,800,000	155,800,000
Balance as on June 30 - Running Finance Facility		200,019,424	200,019,424
Less: Present Value Adjustment	7.3	27,641,477	20,488,756
		172,377,947	179,530,668
Add: Interest charged to profit and loss account (Unwinding of discount)		20,833,082	6,561,786
		193,211,029	186,092,454
Less: Deferred transaction cost (cost of professional services for settlement of finance facilities)		(2,500,000)	(2,500,000)
Deferred transaction cost		1,785,714	357,143
Less: Amortization		(714,286)	(2,142,857)
		192,496,743	183,949,597



	Note	2016 Rupees	2015 Rupees
Current portion :			
Not yet due		(61,819,424)	(138,200,000)
Overdue		(130,677,319)	-
		(192,496,743)	(138,200,000)
		-	45,749,597

7.1 The loan has been obtained from MCB Bank Limited, in accordance with Finance Facilities Settlement Agreement dated May 28, 2015, under restructuring arrangement of running finance facility, last instalment of demand finance facility and cost of documents payable under import letter of credit. Running finance facility outstanding as on June 30, 2015 is repayable within three years from the date of the settlement agreement.

7.2 The facility is secured against joint pari passu charge by way of hypothecation of current assets and second joint pari passu charge on property, plant and equipment of the Company. No mark-up is being charged by the bank, provided the entire principal liability would be repaid by May 28, 2018. Tentative repayment schedule was as under:

	Rupees
September 2015	20,200,000
December 2015	56,000,000
June 2016	62,000,000
December 2016	61,819,424
	<u>200,019,424</u>

However, in the event the accrued mark up of Rs. 40 million becomes payable, due to lack of full payment by Dec 31, 2016, it will be paid in equal quarterly installments within a period of 18 months, after full payment of principal liability within the agreed period of three years.

Under this restructuring arrangement, out of total unpaid markup as on March 31, 2015, agreed payable was fixed at Rs. 10 million while balance was relinquished by MCB Bank Limited subject to the condition that entire principal liability referred above would be paid by Dec 31, 2016. The Company, on the basis of matters stated in note 1.2, would be able to repay liabilities of MCB Bank Limited by due date and accordingly, such relinquishment by the Bank had been recognized as other income during 30 June 2015.

7.3 The loan has been measured at amortized cost by using weighted average interest rate 8.06% (2015: 8.06%).

8 DEFERRED LIABILITIES

Deferred tax	5.2	69,994,972	96,646,471
Staff retirement benefits - gratuity	8.1	72,777,456	69,013,586
		<u>142,772,428</u>	<u>165,660,057</u>

The scheme provides for gratuity benefits for all permanent employees who attain minimum qualifying period. Provision has been made on the basis of latest actuarial valuation made on June 30, 2016 using projected unit credit method.

8.1 Changes in Present Value of Defined Benefit Obligations:

Opening liability		69,013,586	61,887,298
Charge for the year	8.2	16,029,282	16,608,373
Remeasurement chargeable in other comprehensive income (experience adjustment)		(5,248,757)	(4,579,795)
Benefits paid		(7,016,655)	(4,902,290)
Closing liability		<u>72,777,456</u>	<u>69,013,586</u>



	Note	2016 Rupees	2015 Rupees
8.2 Charge for the year:			
Current service cost		8,249,071	8,733,083
Gain and losses arising on plan settlements		1,393,448	-
Interest cost		6,386,763	7,875,290
		<u>16,029,282</u>	<u>16,608,373</u>

8.3 The present value of defined benefit obligation is as follows:

	2016 Rupees	2015 Rupees	2014 Rupees	2013 Rupees	2012 Rupees
			Restated	Restated	
Present value of defined benefit obligation as at June 30	<u>72,777,456</u>	69,013,586	61,887,298	62,635,232	50,995,711

8.4 Charge for the year has been allocated as under:

	Note	2016 Rupees	2015 Rupees
Cost of sales	25.2	9,426,395	8,795,361
Distribution cost	26.1	261,758	804,116
Administrative expenses	27.1	6,341,129	7,008,896
		<u>16,029,282</u>	<u>16,608,373</u>

9 TRADE AND OTHER PAYABLES

Creditors	65,564,535	69,415,829
Accrued liabilities	10,970,926	12,414,958
Payable to employees	2,036	37,600
Advance from customers	35,339,280	18,538,048
Unclaimed dividend	1,662,656	1,662,656
Income tax deducted at source	5,605,095	2,163,066
Sales tax deducted at source	1,243,448	886,179
Final dues payable	12,992,560	10,853,140
Others	27,625,853	70,370
	<u>161,006,389</u>	<u>116,041,846</u>

10 ACCRUED MARKUP

Accrued mark-up / interest on long term financing from directors	8,727,495	303,397
Accrued mark-up / interest on short term borrowings - Overdue	21,726,405	11,934,775
	<u>30,453,900</u>	<u>12,238,172</u>

11 SHORT TERM BORROWINGS

	Note	Sanctioned limit Rupees	2016 Rupees	2015 Rupees
Commercial bank- secured	11.1	155,000,000	117,776,829	129,976,829
Commercial bank- current account (bank overdraft)	11.2		2,694,256	14,965,162
Associated company- unsecured	11.3		3,848,003	5,005,774
			<u>124,319,088</u>	<u>149,947,765</u>

11.1 The facilities are secured against joint pari passu charge by way of hypothecation of stock in trade & current assets, second joint pari passu charge on property, plant and equipment of the Company & ranking charges on current assets and security of the associated company. Mark-up is payable at rates ranging from 8.24% to 11.66% (2015: 9.51% to 12.35%) per annum and is payable on quarterly basis.



11.2 The unfavorable balance has arisen due to cheques issued prior to the year end. However, concerned bank statements show favorable balances.

11.3 Mark-up is charged at the same rates which are being charged by the bank to the associated company ranging from 8.41% to 8.96% (2015: 9.52% to 11.46%) per annum.

12	CURRENT PORTION OF LONG TERM LIABILITIES	Note	2016 Rupees	2015 Rupees
	Long term financing from commercial banks	7	192,496,743	138,200,000
			192,496,743	138,200,000

13 CONTINGENCIES AND COMMITMENTS

13.1 During the year 2011 Assistant Commissioner Inland Revenue issued order u/s 161/205 for tax year 2010 demanding tax liability amounting to Rs. 50,349,214. The Company preferred appeal before the Learned Commissioner Inland Revenue Appeals Lahore. The Learned Commissioner Inland Revenue Appeal Lahore (CIR-A) reduced the demand to Rs. 2,044,547 and remanded back the case in respect of remaining demand. The company, however, preferred appeal before the Income Tax Appellate Tribunal Lahore which is pending for adjudication.

Assistant Commissioner Inland Revenue finalized the remanded back proceedings u/s 161/205 demanding a tax liability of Rs. 4,460,664 comprising of Rs. 2,115,578 in respect of the above demand u/s 161 and Rs. 2,345,086 in respect of default surcharge u/s 205 which is pending for adjudication before the Income Tax Appellate Tribunal Lahore and Learned Commissioner Inland Revenue Appeal Lahore respectively.

However, no provision has been made in these financial statements as the management of the company is confident of favourable outcome of such appeals.

13.2 During the year, Deputy Commissioner Inland Revenue (DCIR) issued order u/s 161/205 for tax year 2009 and raised impugned demand of Rs. 1,968,012. The Company preferred appeal before the Commissioner Inland Revenue Appeals which is pending adjudication. However, no provisions has been made in these financial statements as the management of the company is confident of favourable outcome.

13.3 During the year proceedings u/s 122(5A) were initiated by Additional Commissioner Inland Revenue for tax year 2010 by imposing minimum tax u/s 113 and creating a demand of Rs. 4,187,861. The Company preferred appeal before the Commissioner Inland Revenue Appeals-II (CIR-A) Lahore against the order passed by the Additional Commissioner Inland Revenue in respect of issue of minimum tax which is a legal issue and is pending adjudication till date.

However, no provision has been made in these financial statements as the management of the company is confident of favourable outcome.

13.4 Commitments against irrevocable letter of credit for import of chemicals amounted to Rs. Nil (2015: Rs. Nil).

14 OWNED ASSETS

DESCRIPTION	Cost or assessed value as on July 01, 2015	Cost of additions / (deletion)	Surplus/deficit on revaluation of assets	Non-current assets classified as held for Sale	Gross book value as on June 30, 2016	DEPRECIATION				Net book value as on June 30, 2016	
						Rate %	As on July 01, 2015	Revaluation adjustments	For the year/ (adjustments on disposals)		As on June 30, 2016
Rupees						Rupees					
Land - freehold	384,100,000	-	-	-	384,100,000	-	-	-	-	-	384,100,000
Building on freehold land	156,338,719	-	-	-	156,338,719	3.8 - 10	-	-	7,816,936	7,816,936	148,521,783
Plant and machinery	382,967,726	702,230	-	(213,102,184)	170,567,772	4.8 - 10	-	-	32,083,683	32,083,683	138,484,089
Furniture and fittings	3,155,305	(48,300)	-	-	3,107,005	10	2,499,687	-	64,828	2,524,607	582,398
Vehicles	4,201,937	(658,757)	-	-	3,543,180	20	3,362,803	-	159,472	2,910,352	632,828
Electrical appliances	2,101,539	-	-	-	2,101,539	10	1,308,470	-	79,307	1,387,777	713,762
Office equipment	8,987,667	(8,500)	-	-	9,086,017	10	5,976,392	-	306,533	6,278,802	2,807,215
2016 Rupees	941,852,893	809,080	(715,557)	(213,102,184)	728,844,232		13,147,352	-	40,510,759	53,002,157	675,842,075
									(655,954)		

DESCRIPTION	Cost or assessed value as on July 01, 2014	Cost of additions / (deletion)	Surplus/deficit on revaluation of assets	Non-current assets classified as held for Sale	Gross book value as on June 30, 2015	DEPRECIATION				Net book value as on June 30, 2015	
						Rate %	As on July 01, 2014	Revaluation adjustments	For the year/ (adjustments on disposals)		As on June 30, 2015
Rupees						Rupees					
Land - freehold	250,500,000	-	133,600,000	-	384,100,000	-	-	-	-	-	384,100,000
Building on freehold land	143,102,475	-	31,901,785	-	156,338,719	3.8 - 10	12,443,694	(18,665,541)	6,221,847	-	156,338,719
Plant and machinery	626,550,940	456,102	(178,590,257)	(33,442,500)	382,967,726	4.8 - 10	80,265,334	(111,943,755)	40,028,641	-	382,967,726
Furniture and fittings	3,155,305	(32,006,559)	-	-	3,155,305	10	2,426,840	-	72,847	2,499,687	655,618
Vehicles	7,001,937	(2,800,000)	-	-	4,201,937	20	5,486,227	-	213,108	3,362,803	839,134
Electrical appliances	2,096,639	4,900	-	-	2,101,539	10	1,220,518	-	87,952	1,308,470	793,069
Office equipment	8,712,367	(7,000)	-	-	8,987,667	10	5,666,466	-	311,356	5,976,392	3,011,275
2015 Rupees	1,041,119,663	743,302	(31,754,013)	(33,442,500)	941,852,893		107,509,079	(130,609,296)	46,935,751	13,147,352	928,705,541
		(34,813,559)							(10,688,182)		

Note
14.1 Depreciation for the year has been allocated as under :

		2016 Rupees	2015 Rupees
Cost of sales	25	39,900,619	46,250,488
Administrative expenses	27	610,140	685,263
		40,510,759	46,935,751



14.2 Disposal of fixed assets

The following are details of disposals during the year:

Particulars	Cost / Revalued amount Rs.	Book value Rs.	Sale proceeds Rs.	Gain/(loss) on disposal Rs.	Mode of disposal	Name and address
Shehzore Pickup (LTR-3908)	658,757	46,833	625,000	578,167	Insurance Claim	EFU General Insurance Co., Co- operative Building The Mall, Lhr.
HP 4100 Laser Printer	8,500	4,377	1,500	(2,877)	By Negotiation	I. A. Enterprises-1- Mian Meer Road, Upper Mall, Lhr.
3 National Window AC	48,300	8,393	20,000	11,607	By Negotiation	M. Israr, St.# 21, Gulistan Colony, Mustafabad, Lhr.
2016 Rupees	715,557	59,603	646,500	586,897		
2015 Rupees	34,813,559	24,125,377	58,749,707	34,624,330		

14.3 Free - hold land, buildings on free - hold land and plant and machinery were most recently revalued on June 30, 2015 by an independent valuer, Arch-e-decon (Evaluators, Surveyors, Architects and Engineers), resulting in surplus of Rs. 98.855 million and incorporated in the financial statements for the year ended June 30, 2015. Previously, three revaluations had been carried out by Arch-e-decon, an independent valuer. First revaluation was carried out during 2006, second during 2009 and third during 2012. The basis used for revaluation of property, plant and equipment are as follows:

Free - hold land :	The value of free - hold land ascertained according to the local market value;
Buildings on free - hold land :	Present day construction rates for different types of building structure depreciated to account for the age and condition of the building; and
Plant and machinery :	The value has been determined with reference to prevailing prices of similar plants and machinery depreciated to account for the age, usage and physical condition.

14.4 Free - hold land, buildings on free - hold land and plant and machinery represent values subsequent to revaluations. Had there been no revaluation, carrying amount of the revalued assets would have been as follows:

	Note	2016 Rupees	2015 Rupees
Free - hold land		7,553,867	7,553,867
Buildings on free - hold land		40,426,637	42,554,355
Plant and machinery		53,304,497	237,326,490
		101,285,001	287,434,712

15 LONG TERM LOANS AND ADVANCES

Advances - considered good

15.1 Advances to:

Executives
Employees

Current portion:

Executives
Employees

15.1

29,000	775,000
-	860,000
155,000	107,000
155,000	967,000
-	(132,000)
(126,000)	(60,000)
(126,000)	(192,000)
29,000	775,000

15.2 Loans to employees are secured against retirement benefits. Maximum aggregate amount in respect of loan extended to employees is at the discretion of the Board of Directors.



	Note	2016 Rupees	2015 Rupees
16 LONG TERM DEPOSITS			
Security deposits	16.1	1,629,034	1,629,034
		1,629,034	1,629,034
16.1 Security deposits mainly include security deposits for electricity connection.			
17 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		6,038,590	10,360,793
Spare parts		15,875,369	17,699,880
Packing materials		162,317	444,276
Loose tools		3,047,624	3,012,594
		25,123,900	31,517,543
18 STOCK IN TRADE			
Raw materials		1,181,799	6,345,070
Work in process		4,880,817	12,744,852
Finished goods		8,245,741	20,039,872
Scrap / waste		243,589	617,704
		14,551,946	39,747,498
19 TRADE DEBTS - Considered good			
Export - Secured against letters of credit		-	339,408
Local - Unsecured		9,576,623	14,762,389
		9,576,623	15,101,797
20 LOANS AND ADVANCES			
Advances - unsecured, considered good:			
to executives - against salaries and expenses		43,434	526,821
to employees - against salaries and expenses		2,375,992	1,309,430
to suppliers		1,183,908	2,293,936
		3,603,334	4,130,187
20.1 The maximum aggregate amount due from executives at the end of any month was Rs. 30,950 (2015: Rs. 1,254,821).			
21 SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		1,076,331	1,388,778
Export rebate receivable		574,275	577,080
Sales tax refundable		10,449,840	11,967,092
Others		9,228	22,598
		12,109,674	13,955,548
22 CASH AND BANK BALANCES			
Cash in hand		2,807,079	106,475
Cash at banks:			
Current accounts	22.1	8,634,571	12,271,419
Deposit accounts		453	386
		8,635,024	12,271,805
		11,442,103	12,378,280

22.1 Deposit accounts carry interest @ 7% (2015: 3% to 5%) per annum.



	Note	2016 Rupees	2015 Rupees
23 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE			
This represents realizable value of following assets classified as held for sale. The proceeds will be utilized to settle / reduce banks' finance facilities in order to reduce dependency on external debts and finance cost of the company, as per plan approved by Board of Directors. (mentioned in note 1.2):			
Plant and equipment:			
23 Sulzer Looms, warping and sizing machine	23.1	31,409,070	33,442,500
78 air-jet looms with back process and allied equipment	23.2	115,192,001	-
		<u>146,601,071</u>	<u>33,442,500</u>
23.1 Sulzer Looms, warping and sizing machine			
Opening balance		33,442,500	-
Carrying value transferred from operating fixed assets		-	33,442,500
Decrease in value		(2,033,430)	-
		<u>31,409,070</u>	<u>33,442,500</u>
23.2 Air-jet Looms with back process and allied equipment			
Carrying value transferred from operating fixed assets		213,102,184	-
Decrease in revaluation surplus		(52,718,032)	-
Impairment charged to profit & loss account		(45,192,151)	-
		<u>115,192,001</u>	<u>-</u>
24 SALES			
Cloth:			
- Export		38,477,797	134,057,702
- Local		318,585,047	348,100,278
		<u>357,062,844</u>	<u>482,157,980</u>
Waste		6,161,596	5,707,868
Export rebate		14,066	93,755
Processing income		82,930,834	54,287,281
		<u>446,169,340</u>	<u>542,246,884</u>
Commission		(2,565,191)	(1,299,247)
		<u>443,604,149</u>	<u>540,947,637</u>
24.1	Sales are exclusive of sales tax amounting to Rs. 12,654,462 (2015: Rs. 32,973,680).		
25 COST OF SALES			
Raw materials consumed	25.1	264,440,737	338,367,158
Salaries, wages and other benefits	25.2	98,469,097	95,458,827
Fuel and power		112,970,264	104,258,819
Stores and spares consumed		34,231,797	39,036,612
Processing charges		433,048	9,600
Insurance		1,960,082	2,712,425
Repairs and maintenance		1,113,948	1,748,969
Depreciation on owned assets	14.1	39,900,619	46,250,488
Others		686,000	522,320
		<u>554,205,592</u>	<u>628,365,218</u>
Adjustment of work-in-process			
Opening stock		12,744,852	25,570,931
Closing stock		(4,880,817)	(12,744,852)
		<u>7,864,035</u>	<u>12,826,079</u>



	Note	2016 Rupees	2015 Rupees
Adjustment of finished goods and waste			
Opening stock		20,657,576	38,571,880
Closing stock		(8,489,330)	(20,657,576)
		12,168,246	17,914,304
		574,237,873	659,105,601
25.1 Raw materials consumed			
Opening stock		6,345,070	12,438,450
Purchases		255,875,693	326,660,715
Freight and octroi		3,401,773	5,613,063
		259,277,466	332,273,778
Closing stock		(1,181,799)	(6,345,070)
		264,440,737	338,367,158
25.2 Salaries, wages and other benefits include post retirement benefits amounting to Rs. 9,426,395 (2015: Rs. 8,795,361).			
26 DISTRIBUTION COST			
Salaries and other benefits	26.1	2,412,049	4,432,844
Vehicles running and maintenance		209,363	504,605
Communication		164,888	309,861
Freight, shipment and others		1,833,764	4,800,982
Other expenses		85,728	282,434
		4,705,792	10,330,726
26.1 Salaries and other benefits include post retirement benefits amounting to Rs. 261,758 (2015: Rs. 804,116).			
27 ADMINISTRATIVE EXPENSES			
Salaries and other benefits	27.1	21,036,718	20,916,722
Travelling and conveyance		1,202,741	1,228,943
Rent, rates and taxes		4,493,926	3,979,419
Printing and stationery		649,462	992,448
Communication		936,653	986,912
Vehicles running and maintenance		2,230,628	3,478,981
Entertainment		813,633	765,297
Repairs and maintenance		348,868	457,401
Utility expenses		993,583	892,091
Legal and professional		475,800	467,600
Subscription		424,711	852,759
Insurance		514,790	591,751
Advertisement		39,500	26,100
Depreciation on owned assets	14.1	610,140	685,263
		34,771,153	36,321,687
27.1 Salaries and other benefits include post retirement benefits amounting to Rs. 6,341,129 (2015: Rs. 7,008,896).			



	Note	2016 Rupees	2015 Rupees
28 OTHER EXPENSES			
Auditors' remuneration	28.1	775,195	740,228
Impairment of non-current assets classified as held for sale	23.2	45,192,151	-
Others		40,416	43,847
		46,007,762	784,075
28.1 Auditors' remuneration			
Audit fee		500,000	500,000
Half yearly review		50,000	50,000
Code of Corporate Governance review		25,000	25,000
Tax representation and consultancy fee		176,945	127,128
Out of pocket expenses		23,250	38,100
		775,195	740,228
29 OTHER INCOME			
Income on financial assets			
Interest on deposit accounts		10,190	2,841
Income on assets other than financial assets			
Gain on disposal of operating fixed assets		586,897	34,624,330
Markup waived off	7.2	-	38,705,582
Amortization of interest free loans:			
- from directors' interest free loan	6.1.2	38,642,827	53,556,535
- from directors' interest bearing loan		4,472,503	5,180,528
- from Commercial bank's interest free loan		7,152,721	20,488,756
		50,268,051	79,225,819
Others		367,854	250
		51,232,992	152,558,822
30 FINANCE COST			
Mark-up on:			
- Long term financing		-	1,274,784
- Financing from directors		8,424,098	303,397
- Financing from associated company		411,879	697,217
- Short term borrowings		12,800,424	45,102,688
Unwinding of discount	6.1, 6.2&7	28,635,572	13,616,227
Amortization of transaction cost		1,428,571	357,143
Bank charges		1,010,965	1,515,467
		52,711,509	62,866,923
31 TAXATION			
Current		389,776	1,638,893
Prior years		-	-
Deferred tax	5.2	(6,923,354)	(13,576,684)
		(6,533,578)	(11,937,791)

31.1 Provision for income tax has been made in the accounts for tax on export proceeds @ 1% under final tax regime u/s 154 of the Income Tax Ordinance, 2001.

31.2 As the Company is under final tax regime and gross losses, the reconciliation of applicable and effective tax rate is not meaningful.

32 (LOSS) / EARNING PER SHARE - BASIC AND DILUTED	Note	2016	2015
		Rupees	Rupees
Loss per share is calculated by dividing loss after tax for the period by weighted average number of shares outstanding during the year as follows:			
(Loss) / Profit attributable to ordinary shareholders		(211,063,370)	(63,964,762)
Weighted average number of ordinary shares		30,001,120	30,001,120
(Loss) / Earning per share - Basic and diluted		(7.04)	(2.13)

32.1 No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

33 FINANCIAL ASSETS AND LIABILITIES

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

- Credit risk
- Liquidity risk
- Market Risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

33.1 Credit risk and concentration of credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if the counter parties fail completely to perform as contracted.

Credit risk arises principally from loans and advances, trade debts, deposits, other receivables and bank balances. Out of total financial assets of Rs. 25.105 million (2015: Rs. 31.742 million), the financial assets that are subject to credit risk amounted to Rs. 22.298 million (2015: Rs. 33.636 million).

The Company monitors the credit quality of the financial assets with reference to the historical performance of such assets and available external credit ratings.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. The table below shows the bank balances and investment held with some major counterparties at the balance sheet date.

Banks	Rating		Agency	June 2016	June 2015
	Short term	Long term		(Rupees)	(Rupees)
Allied Bank Limited	A 1+	AA+	PACRA	4,519	848
MCB Bank Limited	A 1+	AAA	PACRA	38,189	57,091
Standard Chartered Bank (Pakistan) Limited	A 1+	AAA	PACRA	-	-
Habib Metropolitan Bank Limited	A 1+	AA+	PACRA	45,833	20,008
National Bank of Pakistan	A 1+	AAA	JCR-VIS	7,254	7,255
Faysal Bank Limited	A 1+	AA	PACRA	-	-
United Bank Limited	A - 1+	AAA	JCR-VIS	8,482,700	10,046,157
Bank Al Habib Limited	A 1+	AA+	PACRA	-	2,140,446
Total				8,578,495	12,271,805

The aging of trade receivables at the reporting date is:

Past due 1-30 days	5,378,373	3,845,513
Past due 31-150 days	1,189,754	902,086
Past due over 150 days	3,008,496	10,354,198
	9,576,623	15,101,797



33.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation.

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

	Carrying amount (Rupees)	Less than one year (Rupees)	One to five years (Rupees)	More than five years (Rupees)
Long term financing from directors	270,570,409	-	-	270,570,409
Long term financing from commercial banks	193,211,029	197,669,252	-	-
Trade and other payables	161,006,389	161,006,389	-	-
Accrued markup	30,453,900	30,453,900	-	-
Short term borrowings	124,319,088	124,319,088	-	-
Total	779,560,815	513,448,629	-	270,570,409

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

	Carrying amount (Rupees)	Less than one year (Rupees)	One to five years (Rupees)	More than five years (Rupees)
Long term financing from directors	228,862,462	-	-	228,862,462
Long term financing from commercial banks	186,092,454	138,200,000	47,892,454	-
Trade and other payables	116,041,846	116,041,846	-	-
Accrued markup	12,238,172	12,238,172	-	-
Short term borrowings	149,947,765	149,947,765	-	-
Total	693,182,699	416,427,783	47,892,454	228,862,462

33.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's value of its financial instruments.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on trade debts denominated in US Dollars. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2016 Rupees	2015 Rupees
Foreign debtors	-	339,408

The following significant exchange rates have been applied:

Rupees per USD

Average rate	103.10	101.69
Reporting date rate	104.50	101.70



As at year end, had the exchange of USD depreciated or appreciated against the currency with all other variables held constant, the change in post tax loss, mainly as a result of foreign exchange gain/loss on translation of foreign currency denominated receivable, would have been as follows:

Currency	% change	2016 Rupees	2015 Rupees
US \$	10%	-	33,941

b) Interest risk

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

At the reporting date, the variable interest rate profile of the Company's significant interest bearing financial instruments was as follows:

Variable rate instruments	2016 Effective rate of interest	2015	June 2016 Carrying value in Rupees	June 2015
Financial liabilities				
Long term financing from directors	5.65% - 6.21%	5.65%	140,000,000	140,000,000
Long term financing from commercial banks	-	-	-	-
Short term borrowings	8.24% to 11.66%	9.52% to 12.35%	124,319,088	149,947,765
Total			264,319,088	289,947,765
Financial assets				
Cash at bank - deposit accounts	7%	3% to 5%	453	386
Total			453	386

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Profit or loss 100 basis points	
	Increase Rupees	Decrease Rupees
As at 30 June 2016		
Cash flow sensitivity-Variable rate financial liabilities	2,643,191	(2,643,191)
As at 30 June 2015		
Cash flow sensitivity-Variable rate financial liabilities	2,899,478	(2,899,478)

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

c) Equity 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 instruments traded in the market. The Company is not exposed to equity price risk as the Company does not hold investments whose fair value or future cash flows will fluctuate because of changes in fair value.



33.4 Financial instruments by categories

	Available for sale		Loans and receivables		Total	
	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015
Financial assets						
Loans and advances	-	-	2,448,426	2,611,251	2,448,426	2,611,251
Deposits	-	-	1,629,034	1,629,034	1,629,034	1,629,034
Trade debts	-	-	9,576,623	15,101,797	9,576,623	15,101,797
Other receivables	-	-	9,228	22,598	9,228	22,598
Cash and bank balances	-	-	11,442,103	12,378,280	11,442,103	12,378,280
Total	-	-	25,105,414	31,742,960	25,105,414	31,742,960
Financial liabilities at amortised cost						
					June 2016	June 2015
Financial liabilities						
Long term financing from directors					270,570,409	228,862,462
Long term financing from commercial banks					193,211,029	186,092,454
Trade and other payables					161,006,389	116,041,846
Accrued markup					30,453,900	12,238,172
Short term borrowings					124,319,088	149,947,765
Total					779,560,815	693,182,699

33.5 Fair values of financial assets and liabilities

The carrying values of financial assets and financial liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

33.6 Capital risk management

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

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

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ("long term financing" and "short term borrowings" as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under "share capital, reserves and surplus on revaluation and net debt".

The salient information relating to capital risk management of the Company at year end were as follows:

	Note	2016 Rupees	2015 Rupees
Total borrowings		587,386,240	562,759,824
Less: Cash and cash equivalents		11,442,103	12,378,280
Net debt		575,944,137	550,381,544
Total equity (including surplus on revaluation)		6,728,755	247,566,684
Total capital		582,672,892	797,948,228
Gearing ratio		98.85	68.97



34 RELATED PARTY TRANSACTIONS

Related parties comprise of associated companies, directors and their close family members, executives and major shareholders of the Company. Remuneration and benefits to executives of the Company are in accordance with the terms of their employment. Outstanding balances with related parties at balance sheet dates are disclosed in relevant notes. Transactions with related parties during the year, other than those disclosed elsewhere in the financial statements, are as follows:

	Note	2016 Rupees	2015 Rupees
Long term borrowing obtained from director - interest bearing		-	140,000,000
Long term borrowing obtained from directors - interest free		70,459,001	88,360,202
Short term borrowing repaid to ICC (Private) Limited - interest bearing		1,157,771	1,533,946
Short term borrowing repaid to ex-sponsor member - interest bearing		-	6,192,196
Interest on loan debited by ICC (Private) Limited	34.1	411,879	697,217
Interest on loan obtained from ex-sponsor member	34.1	-	283,504
Vehicle sold to ICC (Private) Limited		-	1,733,333
Reimbursable expenses incurred on behalf of ICC (Private) Limited		1,786,150	2,237,292
Reimbursable expenses incurred by ICC (Private) Limited		-	7,129
Unwinding of discount on loans from directors	6	14,364,276	7,054,441
Interest on loan obtained from director (Payable to MCB Bank Ltd)	30	8,424,098	303,397
Amortization of interest free loan from directors		38,642,829	53,556,535

34.1 Interest on interest bearing long term financing and short term borrowing is charged at the same rates which are charged by the banks to the associated company/sponsor member / director.

34.2 ICC (Private) Limited is associated due to common directorship.

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	2016			2015		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	-	-	6,501,698	-	-	6,351,322
House rent allowance	-	-	2,368,291	-	-	2,310,141
Other allowances	-	-	882,569	-	-	867,528
Medical expenses	-	-	169,023	-	-	225,475
Rupees	-	-	9,921,581	-	-	9,754,466
No. of persons	1	7	8	1	7	7



35.1 The directors of the Company have opted not to take any remuneration from the Company voluntarily.

35.2 Some executives are provided with Company maintained cars as per rules of the Company.

35.3 No meeting fee was paid to the directors for attending the meetings of the board.

	2016	2015
36 NUMBER OF EMPLOYEES		
Number of employees at the end of the year	<u>404</u>	<u>436</u>
Average number of employees during the year	<u>451</u>	<u>498</u>
37 CAPACITY INSTALLED AND ACTUAL PRODUCTION		
No. of looms installed	141	141
No. of looms worked	118	118
Shifts per day	2	2
No. of days actually worked	362	362
Rated capacity (Square Meters in millions)	34.0	34.0
Actual production (Square Meters in millions)		
- Production - own	<u>5.4</u>	<u>4.0</u>
- Production - conversion basis	<u>6.5</u>	<u>7.3</u>
- Total Production	<u>11.9</u>	<u>11.3</u>

It is difficult to determine precisely the production / rated capacity in textile weaving mills since it fluctuates widely depending on various factors such as speed, width and construction of cloth woven etc.

Reduced production was mainly attributed to non-availability of gas connection, shortfall of working capital and demand of fabric in international market.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS

Income taxes

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

Trade debts and other receivables

Impairment loss against doubtful trade and other debts is made on a judgment basis, which provisions may differ in the future years based on the actual experience. The difference in provision if any, is recognized in the future period.

Property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The estimates for revalued amounts of different classes of property, plant and equipment are based on valuation performed by external professional valuers and recommendations of technical teams of the Company. The said recommendation also includes estimates with respect to residual values and depreciable lives. Further, the Company reviews the values of the assets for possible impairment on an annual basis. Any change in the estimate in the future years might affect the carrying amounts of the respective item of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

**Stock in trade and stores, spare parts and loose tools**

The Company's management reviews the net realizable value (NRV) and impairment of stock in trade and stores, spare parts and loose tools to assess any diminution in the respecting carrying values and wherever required provision for NRV / impairment is made. The difference in provision, if any, is recognized in the future period.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 3.1 to the financial statements for the valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Provision for contingencies

The Company's management uses assumptions and estimates in disclosure and assessment of provision for contingencies.

39 FIGURES

- Figures in these financial statements have been rounded off to the nearest rupee.
- Corresponding figures have been re-arranged and / or reclassified, where ever considered necessary, for the purpose of better presentation of the financial statements. However, no significant reclassification has been made in these financial statements.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 08, 2016.





FORM – 34

PATTERN OF SHAREHOLDING OF THE SHARES
HELD BY THE SHAREHOLDERS AS ON JUNE 30, 2016

No. of Shareholders	From	Shareholding To	Total Shares Held
165	1	100	12,429
986	101	500	460,685
116	501	1,000	114,047
138	1,001	5,000	410,529
48	5,001	10,000	386,839
21	10,001	15,000	259,198
10	15,001	20,000	173,073
9	20,001	25,000	201,600
3	25,001	30,000	81,500
4	35,001	40,000	146,000
2	45,001	50,000	100,000
1	90,001	95,000	92,000
1	95,001	100,000	99,500
1	105,001	110,000	110,000
1	115,001	120,000	119,500
1	120,001	125,000	125,000
5	125,001	130,000	633,612
1	130,001	135,000	130,500
1	135,001	140,000	139,900
1	155,001	160,000	158,900
1	165,001	170,000	168,950
2	175,001	180,000	354,720
1	190,001	195,000	194,500
1	195,001	200,000	200,000
1	230,001	235,000	235,000
2	235,001	240,000	473,000
1	270,001	275,000	271,120
1	2,190,001	2,195,000	2,194,788
1	4,455,001	4,460,000	4,457,918
1	7,710,001	7,715,000	7,714,933
1	9,780,001	9,785,000	9,781,379
1,528			30,001,120



DETAIL OF SHAREHOLDING

AS ON JUNE 30, 2016

<u>Categories of Shareholders</u>	<u>Shares held</u>	<u>Percentage</u>
1 Directors, Chief Executive Officer and their spouse and minor children		
Mr. Shafiq A. Siddiqi	175,420	0.58
Mr. Shafiq A. Siddiqi (CDC)	128,000	0.43
Mr. Javaid Shafiq Siddiqi	4,457,918	14.86
Mr. Javaid Shafiq Siddiqi (CDC)	9,781,379	32.60
Mr. Pervaiz Shafiq Siddiqi (CDC)	7,714,933	25.72
Mrs. Fauzia Javaid	179,300	0.60
Mrs. Fauzia Javaid (CDC)	2,194,788	7.32
Mr. Salman Javaid Siddiqi (CDC)	1,000	0.00
Mr. Asim Pervaiz Siddiqi (CDC)	1,000	0.00
Mr. Adnan Javaid Siddiqi	1,000	0.00
Total	24,634,738	82.11
2 Associated Companies, undertakings and related parties	-	-
3 NIT & ICP		
Investment Corp. of Pakistan	1,400	0.00
Public Sector Companies and Corporations		
4 Banks Development Financial Institutions and Non Banking Financial Institutions	5,092	0.02
5 Insurance Companies	158,900	0.53
6 Modaraba and Mutual Funds	-	-
Total	163,992	0.55
7 General Public		
a. Local	5,173,287	17.24
b. Foreign	-	-
8 Other (to be specified)		
Joint Stock Companies	12,101	0.04
Pension Funds	15,073	0.05
Others	529	0.00
Total	27,703	0.09
Grand Total	30,001,120	100.00
9 Shareholders holding 10% or more voting interest		
Mr. Javaid S. Siddiqi	14,239,297	47.46
Mr. Pervaiz S. Siddiqi	7,714,933	25.72
Total	21,954,230	73.18
10 Shareholders holding 5% or more voting interest		
Mr. Javaid S. Siddiqi	14,239,297	47.46
Mr. Pervaiz S. Siddiqi	7,714,933	25.72
Mrs. Fauzia Javaid	2,374,088	7.91
Total	24,328,318	81.09



FORM OF PROXY

The Company Secretary
 ICC Textiles Limited
 242-A, Anand Road,
 Upper Mall, Lahore

I/We

of being a member of **ICC TEXTILES**

LIMITED and holder of Ordinary shares as per Share
 (Number of Shares)

Register Folio No. and/or CDC Participant I.D. NO. and Sub Account No.

hereby appoint

of

or failing him

of

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at its Registered Office 242-A, Anand Road, Upper Mall, Lahore on Friday, the October 31, 2016 at 10:30 a.m. and at every adjournment thereof.

Signed this Day of 2016.

WITNESSES:

1. Signature:

Name:

Address:

.....
 CNIC or

Passport No.

2. Signature:

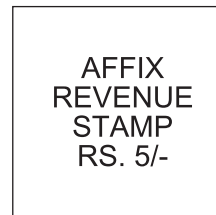
Name:

Address:

.....
 CNIC or

Passport No.

Signature



Note: Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting duly completed in all respects. A proxy need not to be a member of the Company.

CDC shareholders and their Proxies are requested to attach an attested photocopy of their National Identity Card or Passport with the proxy form before submission to the Company.