AHMAD HASSAN
TEXTILE MILLS LIMITED

ah TEXTILES

The Twenty Seventh

Annual Report
2016

27th Annual Report

of

Ahmad Hassan Textile Mills Limited

for the year ended June 30, 2016

CONTENTS

VISION

To be a world class and leading organization continuously providing high quality textile products.

MISSION

To be a model diversified textile organization exceeding expectations of all stakeholders. We will achieve this by utilizing best blend of state-of-the-art technologies, excellent business processes, high performing people, and synergetic organizational culture.

CORE VALUES

Our success will not be a matter of chance but of commitment to the following enduring beliefs and values that are engrained in the way we think and take actions to pursue a climate of excellence:

Integrity & Ethics	Integrity, honesty and high ethical, legal & safe standards are corner stones of our business practices.
Quality	We pursue quality as a way of life. It is an attitude that affects everything we do for relentless pursuit of excellence. Our aim is: To achieve and sustain good reputation in both domestic and international market by manufacturing quality yarn / fabric with organized training and implementation of quality system as per our valued customers needs to ensure the achievement of our aim.
Social Responsibility	We believe in respect for the community and preserving the environment for our future generations and keeping National interests paramount in all our action.
Learning & Innovations	We embrace lifelong learning and innovation as an essential catalyst for our future success. We believe in continuous improvement and to seize opportunities inherent in change to shape the future.
Team Work	We believe that competent and satisfied people are the company's heart, muscle and soul. We savours flashes of genius in organization's life by reinforcing attitude of teamwork and knowledge sharing based on mutual respect, trust and openness.
Empowerment	We flourish under and ecosystem of shared understanding founded on the concept of empowerment, accountability and open communication in all directions.

STRATEGIC PLAN

To achieve the above objectives, the Company has made strategic plans to enhance and upgrade its installed capacity over the next 10 years to maintain and expand its market. Further plans are to excel in social responsibilities by implementing related projects and community developments.

COMPANY PROFILE

BOARD OF DIRECTORS	
Chairman	Mian Muhammad Javed Anwar
Chief Executive Officer	Mian Muhammad Parvez
Directors	Mr. Muhammad Haris
	Mr. Muhammad Aurangzeb
	Mrs. Salma Javed
	Mr. Muhammad Jahanzeb
	Mr. Syed Raza Abbas Jaffari *(Rep. N.I.T)*
AUDIT COMMITTEE	
Chairman	Mr. Muhammad Jahanzeb
Members	Mrs. Salma Javed
	Mr. Muhammad Aurangzeb
HR & R COMMITTEE	
Chairman	Mr. Muhammad Jahanzeb
Members	Mrs. Salma Javed
	Mian Muhammad Parvez
CHIEF FINANCIAL OFFICER	Mr. Abdul Sattar (FCA)
HEAD OF INTERNAL AUDIT	Mr. Waqas Qureshi
COMPANY SECRETARY	Mr. Abdul Sattar (FCA)
AUDITORS	M/s PKF F.R.A.N.T.S Chartered Accountants, Multan.
BANKERS	Bank Al-Habib Limited Allied Bank Limited United Bank Limited Bank Al-Falah Limited Habib Bank Limited Soneri Bank Limited Meezan Bank Limited National Bank of Pakistan
REGISTERED OFFICE	46 - Hassan Parwana Colony, Multan.
MILLS	M.M. Road, Chowk Sarwar Shaheed, Distt. Muzaffargarh.
SHARES REGISTRAR	M/s Vision Consulting Limited 3-C, LDA Flats, Lawarnce Road, Lahore.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of the Company will be held at its Registered Office, 46-Hassan Parwana Colony, Multan, on Saturday 29th October, 2016, at 10:00 A.M., to transact the following business.

Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on 31st October, 2015.
2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' Report for the year ended June 30, 2016.
3. To appoint Auditors of the Company for the year 2016-2017 and to fix their remuneration. The present Auditors Messrs. PKF F.R.A.N.T.S. Chartered Accountants, retire and being eligible offers themselves for re-appointment.
4. To obtain consent of the members in terms of S.R.O 470(I)/2016 dated 31st May 2016 issued by the Securities and Exchange Commission of Pakistan and to authorize the Company, to transmit the Annual Audited Financial Statements of the Company together with the Directors' and Auditors' report thereon to the members through CD/DVD/USB at their registered addresses by way of passing the following ordinary resolution:

   RESOLVED that requisite consent of the members of the Company be and is hereby accorded and the Company is authorized to transmit its annual audited financial statements together with the Directors' and Auditors' Report thereon to the members through CD/DVD/USB at their registered addresses instead of transmitting the said accounts in hard copies.
5. To consider any other matter with the permission of the Chair.

Special Business

6. To considerwith/without any change/modification the following resolution as Special Resolution:

   To amend existing object clauses(clause III) of the Memorandum of Association(MOA) to add some other businesses/ to carry on some business, not being specified in our memorandum, which may conveniently or advantageously be combined with the business of the Company by way of passing following special resolution;

   RESOLVED that the object clause of the memorandum of association be amended to add for carrying on some business, not being specified in our memorandum, which may conveniently or advantageously be combined with the business of the Company and to make operations of the company beneficial for the share holders.

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-
(Abdul Sattar FCA)
Company Secretary

Multan: 06.10.2016

NOTES:

I. The Share Transfer Books of the Company will remain closed from 22nd October, 2016 to 29th October, 2016 (both days inclusive). Physical transfers/CDC transaction IDs received in order at shares registrar of the company i.e Vision Consulting Ltd 3-C, LDA flats, 1st floor, Lawrence road, Lahore, up to October 21, 2016, will be considered in time.

II. A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy forms duly completed should reach the Registered Office of the Company at least 48 hours before the time of the meeting. A copy of shareholder's attested CNIC must be attached with the proxy form.

III. Any individual Beneficial Owners of CDC, entitled to attend and vote at this meeting, must bring his/her NIC or Passport to prove his/her identity, and in case of proxy must enclose an attested copy of his/her NIC or passport. Representatives of Corporate members should bring the usual documents required for such purpose.

IV. Members, who have not yet submitted photocopies of their valid computerized CNIC to shares registrar, are requested to send the same at earliest as per SCEP requirement.

V. Members are requested to notify immediately any change in their address, directly to our Share Registrar address above.

VI. For the convenient of members, a standard request form has been uploaded on Company's website. Those members who opt to receive the annual audited accounts through CD/DVD/USB instead in the form of hard copies may apply to the Company Secretary at his postal address or email address sec@ahtml.com.pk.

Statement u/s 160(1) of the Companies Ordinance,1984 regarding special business as given in the notice of meeting

Due to slump in textile sector and for value addition of shareholders we are adding following categories of business:

1. To carry on business as manufacturers of, traders and dealers in ready-made garments, fashion garments and home textile products, fabric processing, garment washing, made-ups, knit wears, stitched garments, quilting, spinning, weaving of yarn and textiles goods induding hosiery, socks and stockings, clothing and shirts, sewing threads, and generally to carry on the said business all over Pakistan.

2. To carry on all or any of the businesses of clothier, tailor, cloth manufacturers, cotton spinners, and other articles and commodities of personal and household use and consumption and generally of and in all manufactured goods, materials, provisions and produce and to buy, sell, import and export cotton / yarn / grey cloth, raw material, allied items and dealing in products, both processed and unprocessed, of the company in or outside Pakistan.

3. To carry on the business of textile printing including digital as well as rotary printing and embroidery on all types of fabric and textile products, finished and unfinished.

4. To buy, sell, import, export or dispose of processed / unprocessed fabric and finished / unfinished garments/ made ups, fabric and garment waste, accessories and other surplus commodities including raw material that can be produced, compounded or made available by the company in any form as a result of any of its processes.

5. To sell or dispose of leftover garments / made ups garment waste, accessories and other surplus commodities that can be produced, compounded or made available by the company in any form as a result of any of its processes.

6. To carry on the business of buying, selling of property such as undeveloped land, houses, condominiums and townhomes, office buildings, warehouses and retail store buildings, factories, mines and farms.

7. To carry on the business of the development of land for residential and commercial projects and Farm houses and other schemes both in urban and rural areas, planning and construction of commercial markets or multistoried buildings including offices, shopping centers, both inside and outside Pakistan with the permission of concerned authorizes and subject to compliance with all relevant laws / rules.

8. To buy, sell, acquire, construct, improve, manage, take on lease or rent land, buildings, shops, stores and factories for the purpose of company's business.

9. To establish, manage and run retail outlets, chain of stores, departmental stores for all types of industrial and consumer goods.

10. To carry out activities pertaining to the generation of Steam, Power and Heat for own consumption and for sale of excess Power, Steam and Heat. To finance, design, construct, own, operate and maintain power and steam plants together with all machinery, equipment and works ancillary thereto and to do all such acts, deeds and things, without limitation whatsoever as may be necessary or desirable in that connection.

11. To establish, manage, own and run information technology centers, software development houses, web development and computer training centers.

12. To set up, establish, maintain and run greenhouses and to promote greenhouse farming regarding all types of agro based products and to cultivate, grow, sow, import, export, produce, buy, sell, trade and deal in all types of agricultural products including but not limited to grains, seeds, herbs, rice, wheat, vegetables, fruits and fruit products, and to

purchase agricultural land and set up farms and nurseries for cultivation of herbs, plants and trees and all types of agricultural produce and develop collection centers for biomass.

13. To manufacture, produce, use, buy, sell, import and export fertilizes, insecticides, pesticides, fungicides and allied products.

14. To carry on the business of manufacturers, buyers, sellers, importers, exporters and dealers in polyurethane foam, mattresses, cushions, seats, pillows, paddings, underlays and all other articles and preparations.

15. To purchases and invest in shares, debentures, bonds and other securities of any other Company or Corporate body in all legal manners but not to act as an investment / finance company.

16. To acquire, hold or dispose of investments in shares, modaraba certificates, term finance certificates, musharika certificates, unit trust certificates, mutual fund certificates, debentures, debenture stock, bonds, obligations and securities issued or guaranteed by any company, Government, commission, public body or authority, supreme municipal, local or otherwise but nto to do the business of an investment company.

17. To guarantee the performance of a contract and obligations of the company in relation to the payment of any loan, bonds, obligations or securities issued by or in favour of the Company and to guarantee the payment of return on such investments or of dividend on any share of the company.

18. To accept shares, modaraba certificates, term finance certificates, musharika certificates, bonds, debentures or other securities fo any other company in payment or part payment of any services rendered or for any sale made to or debt owing from any such company.

19. To provided for welfare of the employees or ex-employees (including Directors) of the Company, and the wives, widows, and families or the dependents of such persons, by building or contributing to the building of house or by grants of money, pensions, allowances, bonus or other payments; or by creating and from time to time subscribing or contributing to provident and other funds, associations, institutions and by providing, subscribing or contributing towards hospitals and dispensaries, medical and other assistance as the Company shall think fit' and to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institution or objects which shall have any moral or other claim to support or aid by the Company, either by reason of locality of its operation or of public and general utility or otherwise.

20. To distribute any of the company's property and assets among the members in specie or in any manner whatsoever in the event of winding up of the company.

DIRECTORS' REPORT

In the name of Allah the Most Beneficent and the Merciful

Dear Shareholders,

Yours Directors are pleased to present before you, the 27th Annual Report on the affairs of your Company and Financial Results for the year ended June 30, 2016 together with the Directors Report and Auditors Report thereon;

SUMMARIZED FINANCIAL RESULTS:

	2016 (Rupees)	2015 (Rupees)
Sales-Net	3,455,552,012	3,248,868,354
Gross Profit	247,657,586	209,347,096
(Loss) after taxation	(18,117,960)	(19,974,925)
G.P Ratio	7.17%	6.44%
Loss Per Share	(1.26)	(1.39)

REVIEW OF OPERATIONS:

By the grace of Almighty Allah, during the year under review, our operational results are better than previous year. It is due to our timely decision of BMR, enhancement in production capacity in spinning and weaving units and installation of new Gas Generator in spinning unit. On the other hand management has also succeeded in his plan to control cost even in such a challenging environment of the whole textile industry.

However performance of the year under review is affected as the industry faced many challenges due to economic slowdown. Yarn prices remained low on account of reduced demand in both export and as well as local markets. The policy changes by yarn and fabric importers on usage of their cotton reserves and reduction of import of cotton made a major impact on cotton yarn exports and hence on yarn price but a slight recovery can be seen from last half year so far which resulted in improvement of our financial results as well.

BOARD/COMMITTEE MEETINGS AND ATTENDANCE BY DIRECTOR:

Total meetings held during the year	Board meeting	Audit Committee meeting	HR & R Committee meeting
	5	**6**	**1**
Attended By:			
Mian Muhammad Javed Anwar	5	-	-
Mian Muhammad Parvez	5	-	1
Mrs. Salma Javed	5	6	1
Mr. Muhammad Haris	5	-	-
Mr. Muhammad Jahanzeb	5	6	1
Mr. Muhammad Aurangzeb	5	6	-
Mr. Raza Abbas Jaffari (Nominee N.I.T)	2	-	-

DIRECTOR TRAINING PROGRAM

Three directors of the Company are exempted from the Directors Training Program on the basis of their level of education and length of experience as provided in the CCG. During the year Mr. Muhammad Aurangzeb attended the director training program held by the 'Pakistan Institute of Corporate Governance' (PICG). The Company will arrange training program of other directors as provided under CCG requirement.

FUTURE OUTLOOK

The Pakistani economy is still overall, facing significant challenges on several fronts. The continuing global recession and increasing competition from regional players in value-added sector is only adding to the woes of the export-based textile industry. However, some recent steps by government, including tackling of energy crisis, declaration of textile industry as zero rated sectors and prioritizing the needs of the industry reflect a changed pro-business approach, which is a positive sign in an otherwise gloomy picture

On the other hand your management is also cognizant of the difficult times your company is facing. Accordingly, it has devised a detailed strategy for tiding over this challenging situation. The strategy encompasses increased revenues and better margins by intensive marketing efforts focusing on market development and penetration, product development and focusing to attract worldwide market other than Asia. On cost-saving side, effective BMR, better supply-chain management for raw materials and increased reliance on alternate fuels for power-generation are pivotal parts of the strategy. Therefore, the management is confident that the company shall be able to build on its performance, going forward

CORPORATE GOVERNANCE

The directors of your company state further that:

1- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2- Proper books of account of the listed company have been maintained.
3- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
5- The system of internal control is sound in design and has been effectively implemented and monitored.
6- There are no significant doubts upon the listed company's ability to continue as a going concern.
7- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Compliance report of corporate governance is attached.

AUDITORS

M/s PKF F.R.A.N.T.S. Chartered Accountants, Multan being eligible and offering themselves for re-appointment, are recommended for re-appointment as Auditors of the Company for a term of one year as suggested by the Audit Committee.

PATTERN OF SHAREHOLDING

Pattern of holding of shares by the shareholders of the Company as on June 30, 2016as required under Section 236(2) (d) of the Companies Ordinance, 1984, is enclosed.

ACKNOWLEDGMENT

Your Directors place on record their deep appreciation for the efforts made by the workers and staff of the Company for their deep devotion to their work. Your Directors would also like to express their thanks to the Shareholders and Financial Institutions, especially Bank Al Habib Ltd, Bank Al-Falah-Ltd, Allied Bank Ltd, National Bank, United Bank Ltd & Soneri Bank Ltd, for their support and assistance.

On behalf of the Board of Directors

Multan
Dated: October 05, 2016

Mian Muhammad Javed Anwar
Chairman

Six Years Growth at Glance (2011-2016)

Particulars	2011	2012	2013	2014	2015	2016
OPERATIONAL PERFORMANCE:						
Weaving						
Number of Looms Installed	130	130	130	136	150	163
Number of Looms Worked	130	130	130	136	150	163
Installed Capacity after conversion into 60 picks Sq. Meter (000)	41,538	41,538	41,538	43,455	46,011	50,000
Actual Production after conversion into 60 picks Sq. Meter (000)	37,814	34,850	35,244	34,914	37,664	43,163
Spinning						
Number of Spindles Installed	20,760	20,760	20,760	22,872	24,984	24,984
Number of Spindles Worked	20,760	20,760	20,760	22,872	24,984	24,984
No. of Shifts Worked	1,095	1,095	1,095	1,095	1,095	1,098
Installed Capacity (after conversion into 20/s count) (1095 shifts) KGS (000)	7,821	7,821	7,821	8,205	8,771	8,951
Actual yarn Production (after con. 20/s count) KGS (000)	7,793	7,442	6,993	6,900	7,075	8,476
PROFIT AND LOSS:						
Net Sales Rs. (000)	3,991,815	3,376,915	4,015,813	3,977,310	3,248,868	3,455,552
Cost of Sales Rs. (000)	3,409,318	2,951,995	3,568,467	3,604,975	3,039,521	3,207,894
Gross Profit Rs. (000)	582,497	424,920	447,346	372,335	209,347	247,658
Operating ProfitRs. (000)	412,658	284,667	268,016	186,178	35,862	116,912
Profit /(loss) before Tax Rs. (000)	235,894	167,614	182,259	81,624	(70,471)	8,707
Profit /(loss) after Tax Rs. (000)	172,217	96,222	143,998	96,096	(19,975)	(18,118)
BALANCE SHEET:						
Share Capital and Reserves Rs. (000)						
Shareholders Equity Rs. (000)	1,012,137	1,090,349	1,860,753	1,870,180	1,850,205	1,811,322
Property Plant & Equipment Rs. (000)	1,600,881	1,612,312	2,336,860	2,494,300	2,665,839	2,580,090
CurrentAssets Rs. (000)	1,092,832	899,568	905,757	1,100,794	961,355	1,054,581
Current Liabilities Rs.(000)	1,085,949	916,144	899,726	1,100,711	1,061,290	1,169,086
Long Term Liabilities Rs. (000)	470,414	358,635	331,086	663,367	755,943	694,268
INVESTOR INFORMATION:						
Per Share (Rs.)						
Cash Dividend	12.50%	12.50%	15.00%	-	-	-
Earning/(Loss) Per Share	11.95	6.68	9.99	6.67	(1.39)	(1.26)
FINANCIAL RATIOS:						
Gross Profit Ratio (%age)	14.59	12.58	11.14	9.36	6.44	7.17
Net Profit Ratio (%age)	4.31	3.47	3.59	2.42	(0.61)	(0.52)
Inventory Turnover (times)	6.35	6.00	6.66	5.71	5.62	5.32
Fixed Assets Turnover (times)	2.44	2.04	1.53	1.63	1.22	1.34
Total Assets Turnover (times)	1.44	1.32	1.09	1.09	0.89	0.94
Return on Capital Employed (%age)	0.26	0.18	0.10	0.07	0.01	0.05
Leverage Ratio	1.21	1.53	1.15	1.40	1.50	1.56
Current Ratio	1.01	0.98	1.01	1.01	0.91	0.90
Interest Coverage Ratio (times)	2.33	2.43	3.13	1.78	0.34	1.08

Statement of Compliance with the Code of Corporate Governance

Name of the Company: Ahmad Hassan Textile Mills Limited
Year ended: June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. However, none of the directors on the Board represents minority. At present the Board includes:

Executive Directors	Mr. Mian Muhammad Pervez Mr. Muhammad Haris
Non-Executive Director	Mr. Mian Muhammad Javed Anwar Mr. Muhammad Aurangzeb Mrs. Salma Javed Mr. Muhammad Jahanzeb Mr. Syed Raza Abbas Jaffari (Rep. N.I.T)

   The Board is contemplating with respect to representation of an independent director in compliance with clause 1(b) of the CCG.
2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of stock exchange, has been declared as a defaulter by that stock exchange.
4. The elections of directors were held on October 31, 2014 in which six directors were elected for a term of three years. No casual vacancy occurred on the Board during the year ended June 30, 2016.
5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dateson which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chairman and the Board met5 times during the year ended June 30, 2016, including 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. Three directors of the Company are exempted from directors training program on the basis of their level of education and length of experience as provided in CCG.During the year Mr. Muhammad Aurangzeb attended the directors' training program held by the 'Pakistan Institute of Corporate Governance' (PICG).The Company will arrange training program of other directors as provided under CCG requirement

10. There were no new appointment of CFO, Company Secretary and Head of Internal Audit. However, any changes in their remuneration and terms and conditions of employment were duly approved by the Board as recommended by the HR and Remuneration Committee.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG applicable as on June 30, 2016 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 already formed an Audit Committee. It comprises of three (3) members, all of whom are non-executive directors. However, none of them is an independent director. The chairman is a non-executive director.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the CCG. Terms of references of the committee have been formed and advised to the committee for compliance.
17. The Board has already formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors. The chairman of the Committee is a non-executive director.
18. The Board has set up an effective internal audit function whose staff members are considered suitably qualified and experienced for the purpose and are 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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 exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with except those disclosed above, towards which reasonable progress is being made by the Company to seek compliance by the next election of directors.

MUHAMMAD PERVEZ
Chief Executive

October 05, 2016

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Ahmad Hassan Textile Mills Limited (the Company) for the year ended June 30, 2016 to comply with the Code contained in regulation No. 5.19 of the Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

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

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraphs where these are stated in the Statement of Compliance:

Sr.	Paragraph reference of Statement of Compliance	Description	Relevant clauseof the Code
i)	1	No independent director has been appointed.	1 (b)
ii)	15	There is no independent director in the Audit Committee.	16 (a)

PKF F.R.A.N.T.S.
Chartered Accountants
Multan
October 05, 2016

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ahmad Hassan Textile Mills 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 accounts 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 givea true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss,total comprehensive loss, 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 (XVIII of 1980).

PKF F.R.A.N.T.S.,
Chartered Accountants
Engagement Partner: Muhammad Talib
October05, 2016
Multan

BALANCE SHEET
AS AT JUNE 30, 2016

	Notes	June 30, 2016 Rupees	June 30, 2015 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	2,580,089,602	2,665,839,338
Intangible assets	4	720,000	960,000
Long term deposits	5	39,284,610	39,284,610
		2,620,094,212	2,706,083,948
CURRENT ASSETS			
Stores, spare parts and loose tools	6	43,324,716	46,412,656
Stock-in-trade	7	649,312,126	540,956,157
Trade debts	8	179,055,558	207,484,177
Loans and advances	9	70,278,765	68,277,186
Tax refunds due from Government	10	99,368,227	81,579,363
Other receivables	11	6,984,828	6,972,291
Short term investments	12	953,299	5,114,098
Cash and bank balances	13	5,303,546	4,559,063
		1,054,581,065	961,354,991
TOTAL ASSETS		3,674,675,277	3,667,438,939
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	14	200,000,000	200,000,000
Issued, subscribed and paid up share capital	14	144,082,488	144,082,488
Capital reserve	15	32,746,284	32,746,284
Revenue reserve - unappropriated profit		795,228,419	777,435,634
		972,057,191	954,264,406
Surplus on revaluation of property, plant and equipment	16	839,264,746	895,941,592
Subordinated loans	17	105,000,000	105,000,000
NON-CURRENT LIABILITIES			
Long term financing	18	390,301,180	450,704,678
Deferred taxation	19	198,966,471	200,238,796
		589,267,651	650,943,474
CURRENT LIABILITIES			
Trade and other payables	20	101,712,315	163,054,680
Short term finances under markup arrangements and other credit facilities	21	888,393,138	758,444,002
Current portion of non-current liabilities	22	129,356,390	112,832,914
Accrued finance cost	23	25,716,646	24,383,122
Provision for taxation	24	23,907,200	2,574,749
		1,169,085,689	1,061,289,467
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		3,674,675,277	3,667,438,939

The annexed notes from 1 to 47 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
Mian Muhammad Pervez	Muhammad Haris	Abdul Sattar
Chief Executive Officer	Director	Chief Financial Officer

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

	Notes	2016 Rupees	2015 Rupees
Sales - net	26	3,455,552,012	3,248,868,354
Cost of sales	27	(3,207,894,426)	(3,039,521,258)
Gross profit		247,657,586	209,347,096
Other income	28	2,437,529	5,255,071
Profit / (loss) on trading	29	1,604,206	(963,418)
Distribution cost	30	(84,418,909)	(123,487,557)
Administrative expenses	31	(49,310,405)	(54,106,018)
Other operating expenses	32	(1,058,409)	(183,155)
		(130,745,988)	(173,485,077)
Profit from operations before finance cost		116,911,598	35,862,019
Finance cost	33	(108,204,906)	(106,332,770)
Profit / (loss) before taxation		8,706,692	(70,470,751)
Taxation	34	(26,824,652)	50,495,826
Loss after taxation for the year		(18,117,960)	(19,974,925)
Loss per share - basic and diluted	35	(1.26)	(1.39)

The annexed notes from 1 to 47 form an integral part of these financial statements.

Sd/- Mian Muhammad Pervez Chief Executive Officer	Sd/- Muhammad Haris Director	Sd/- Abdul Sattar Chief Financial Officer

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

	2016 Rupees	2015 Rupees
Loss after taxation for the year	**(18,117,960)**	(19,974,925)
Other comprehensive income for the year	**-**	-
Total comprehensive loss for the year	**(18,117,960)**	(19,974,925)

The annexed notes from 1 to 47 form an integral part of these financial statements.

Sd/- Mian Muhammad Pervez Chief Executive Officer	Sd/- Muhammad Haris Director	Sd/- Abdul Sattar Chief Financial Officer

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Notes	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**36**	**130,922,979**	352,898,764
Income tax paid		**(21,757,471)**	(36,618,820)
Finance cost paid		**(106,871,382)**	(111,225,399)
Long term deposits		**-**	(104,600)
Paid to Workers' Welfare Fund		**-**	(188,818)
Paid to Workers' Profit Participation Fund		**-**	(4,427,761)
		(128,628,853)	(152,565,398)
Net cash generated from operating activities		**2,294,126**	200,333,366
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(93,097,870)**	(314,838,064)
Purchase of computer software		**-**	(1,200,000)
Proceeds from disposal of property, plant and equipment		**-**	2,675,000
Redemption of long term investments		**-**	259,272
Profit on long term investments		**-**	78,282
Short term investments		**3,749,437**	(4,288,558)
Mark-up on security deposit with SNGPL		**1,729,676**	1,729,676
Net cash used in investing activities		**(87,618,757)**	(315,584,392)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances obtained		**77,547,374**	257,014,649
Repayment of long term finances		**(121,427,396)**	(137,322,616)
Short term finances under markup arrangements and other credit facilities - net		**110,664,356**	(44,413,125)
Dividend paid		**-**	(1,053,348)
Net cash generated from financing activities		**66,784,334**	74,225,560
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(18,540,297)**	(41,025,466)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**(199,848,131)**	(158,822,665)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**36.1**	**(218,388,428)**	(199,848,131)

The annexed notes from 1 to 47 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
Mian Muhammad Pervez	Muhammad Haris	Abdul Sattar
Chief Executive Officer	Director	Chief Financial Officer

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

	Share Capital	Reserves		Total
		Capital	Revenue	
	Issued, subscribed and paid up capital	Share premium	Unappropriated profit	
	Rupees			
Balance as at June 30, 2014	144,082,488	32,746,284	758,945,475	935,774,247
Total comprehensive loss for the year	-	-	(19,974,925)	(19,974,925)
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment (net of deferred tax) - note 16.2.	-	-	38,465,084	38,465,084
Balance as at June 30, 2015	**144,082,488**	**32,746,284**	**777,435,634**	**954,264,406**
Total comprehensive loss for the year	**-**	**-**	**(18,117,960)**	**(18,117,960)**
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment (net of deferred tax) - note 16.2.	**-**	**-**	**35,910,745**	**35,910,745**
Balance as at June 30, 2016	**144,082,488**	**32,746,284**	**795,228,419**	**972,057,191**

The annexed notes from 1 to 47 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
Mian Muhammad Pervez	Muhammad Haris	Abdul Sattar
Chief Executive Officer	Director	Chief Financial Officer

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. STATUS AND ACTIVITIES

Ahmad Hassan Textile Mills Limited (the Company) was incorporated in Pakistan on December 03, 1989 as a Public Limited Company under the Companies Ordinance, 1984. Its shares are quoted on Pakistan Stock Exchange Limited. It is principally engaged in the manufacturing and sale of yarn and fabric. The Company is also engaged in cotton ginning business by taking ginning factory on lease from its associated undertaking.

The registered office of the Company is situated at 46-Hassan Parwana Colony, Multan. The spinning and weaving mills are located at M. M. Road, Chowk Sarwar Shaheed, District Muzaffargarh. The ginning factory is located at Chowk Naseer Abad, Tehsil Jatoi, District Muzaffargarh.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention, except as otherwise stated in respective policies and notes hereunder. In these financial statements, except for the amounts reflected in cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

Property, plant and equipment

The Company reviews the rates of depreciation, useful lives and residual values of assets for possible impairment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Significant accounting estimates and judgments - continued

Inventories

The Company reviews the net realizable value of inventories, including stock-in-trade, stores, spare parts and loose tools, to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of inventories with a corresponding effect on related cost and impairment.

Income taxes

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

Provision for contingencies

The Company discloses its contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisor for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognised at the balance sheet date.

2.5 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective, however, the amendments or interpretation were either not relevant to the Companys operations or were not expected to have any significant impact on the Companys financial statements.

2.6 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the companies having accounting periods beginning on or after July 01, 2016 but are considered not to be relevant or to have any significant effect on the Companys operations and are, therefore, not detailed in these financial statements.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.7.1 Property, plant and equipment

Owned

Property, plant and equipment except freehold land and capital work-in-progress (CWIP) are stated at cost or revalued amount less accumulated depreciation and any identified impairment in value. Freehold land is stated at revalued amount and CWIP is stated at cost less any recognized impairment loss. Borrowing costs pertaining to erection / construction of qualifying assets are capitalized as part of the historical cost as stated in *Note 2.7.14.*

All expenditure connected to the specific assets, incurred during installation and construction period, is carried under CWIP. These are transferred to specific assets as and when assets are available for use.

Property, plant and equipment - continued

Depreciation on all items of property, plant and equipment except freehold land and capital work-in-progress is charged to income by applying reducing balance method so as to write-off the depreciable amounts over estimated remaining useful life of the assets. The useful life and depreciation method are consistent with the expected pattern to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of operating property, plant and equipment. Rates of depreciation are stated in *Note 3.1* .

Depreciation is charged on additions from the month in which an asset is acquired or capitalized and no depreciation is charged for the month in which asset is disposed of. The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment after netting off the related deferred tax. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation (net of deferred taxation) is transferred to unappropriated profit through Statement of Changes in Equity. A revaluation decrease is recognised in profit and loss account as impairment, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The assets so replaced, if any, other than those kept as stand-by, are retired. All other repair and maintenance cost is charged to income during the period in which it is incurred.

Leased

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal for each period.

Depreciation is charged to income by applying reducing balance method to write-off the depreciable amounts of the assets over their estimated useful life in view of certainty of ownership of the assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to current year's income.

2.7.2 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price and other directly attributable expenditures relating to their implementation and customization. It includes costs incurred in acquiring scientific or technical knowledge, systems, licenses, intellectual property, market knowledge and trademarks. These costs are amortized over their estimated useful life using straight line method at rates given under Note 4 starting from the month of capitalization of assets.

2.7.3 Impairment of assets

The management assesses at each balance sheet date whether there is any indication that an asset except deferred tax asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year except the impairment of property, plant and equipment which is adjusted against the existing revaluation surplus on the same assets, if any.

Where the impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of carrying value based on initial cost of the asset. Reversal of impairment loss is recognized as income.

2.7.4 Investments

Investments - held to maturity

Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method.

Investments - at fair value through profit and loss

Short term investments which are acquired principally for generating profit from short term price fluctuation are classified as investments at fair value through profit and loss account. These are initially measured at cost being the fair value of consideration given. Subsequent to initial recognition, these investments are measured at fair value with resulting gain or loss charged directly to income. The fair value of such investments is determined on the basis of prevailing market rates. In case of investments in unquoted mutual funds, fair value is determined on the basis of Net Assets Value (NAV) announced by the Fund Manager.

Investments are treated as short term when intention is to hold them for less than twelve months from the balance sheet date.

2.7.5 Stores, spare parts and loose tools

These are valued at the lower of cost and net realizable value. The cost of inventory is based on moving average cost. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale. Items in transit are stated at cost accumulated up to the balance sheet date. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

2.7.6 Stock-in-trade

These are determined at lower of cost and net realizable value. Cost is determined as:

Raw material at warehouse	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Trading goods	Weighted average cost
Waste	Net realizable value

Cost in relation to work in process and finished goods represents the annual average cost which consists of prime cost and appropriate manufacturing overheads. Cost of raw materials consumed is accounted for by applying the annual average cost of both imported and local purchases.

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost to be incurred to make such sale.

2.7.7 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.7.8 Foreign currency translations

Transactions in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing on the balance sheet date except for those covered by forward contracts, if any. All exchange fluctuations are charged to profit and loss account.

2.7.9 Loans, advances, deposits and prepayments

Loans, advances, deposits and prepayments paid by the Company are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets.

2.7.10 Trade and other payables

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

2.7.11 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the year in which the dividends are approved.

2.7.12 Related party transactions

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

2.7.13 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration, net of sales tax, received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue from various transactions is recognized as follows:

- Local sales and processing income are recorded when goods are delivered to customers and invoices are raised.
- Export sales are recorded on shipment basis.
- Export rebate is booked on receipt basis.
- Profit on deposits is accrued on time proportion basis by reference to the principal outstanding and applicable rate of return.
- Markup income is accrued on time basis by reference to the principal outstanding and at the agreed markup rate applicable.
- Dividend income is recognized when the Company's right to receive the dividend is established.
- Gains / (losses) on disposal of investments are included in income currently and are recognized on the date when transaction takes place.

2.7.14 Borrowing costs

All borrowings are recorded at the amount of proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, 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 pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are charged to profit and loss account in the period in which these are incurred.

2.7.15 Provisions

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

2.7.16 Provision for gratuity

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision and payment of gratuity is made annually based on service period completed by each employee.

2.7.17 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation on income and decisions taken by appellate authorities. The charge for current tax is calculated at the prevailing rates of taxation after taking into account tax credits, rebates and exemption available, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Taxes paid during the year or withheld at source are shown as advance payments and are adjusted at the time of filing of Income Tax Return. Amount of tax paid in excess of tax payable as per Income Tax Return is booked as refundable.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all major taxable temporary differences.

Deferred 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 profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year 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 in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.7.18 *Financial assets and liabilities*

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

All purchases and sales of financial assets are recognized on the trade date when the Company becomes party to the contractual provision.

2.7.19 *Off-setting of financial instruments*

Financial assets and liabilities are off-set and the net amounts are reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.7.20 *Derivative financial instruments*

These are initially recorded at cost on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

2.7.21 *Earnings per share*

Basic Earnings Per Share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

2.7.22 *Cash and cash equivalents*

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks and running finances that are repayable on demand and form an integral part of the Company's cash management.

2.7.23 *Non-current assets classified as held for sale*

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition within one year of the date of its classification as assets held for sale. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Gain / loss on sale of assets classified as held for sale is recognized in profit and loss account.

2.7.24 Segment Reporting

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

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, stores, spares and loose tools, stock-in-trade and trade and other debts. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

The transactions between reporting segments are carried at arm's length basis and are net off in preparing the entity's financial information.

2.7.25 Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When receivables and payables are stated with the amount including the sales tax;
- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in that case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.7.26 Contingencies and commitments

Contingencies and commitments unless those are actual liabilities, are not incorporated in the financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

	Notes	2016 Rupees	2015 Rupees
Operating property, plant and equipment	3.1	**2,579,844,159**	2,607,728,322
Capital work-in-progress	3.2	**245,443**	58,111,016
		2,580,089,602	2,665,839,338

3.1 Operating property, plant and equipment - for the year ended June 30, 2016

PARTICULARS	COST / REVALUED AMOUNTS						DEPRECIATION CHARGE				BOOK VALUE	RATE
	As at June 30, 2015	Additions	Transfer from capital work-in-progress	Revaluation surplus / (impairment)	Disposals / Adjustments	As at June 30, 2016	Accumulated as at June 30, 2015	For the year	Accumulated depreciation on disposals	Accumulated as at June 30, 2016	As at June 30, 2016	
	Rupees						Rupees					
Owned assets:												
Land - freehold	60,615,000	-	-	6,735,000	-	**67,350,000**	-	-	-	-	**67,350,000**	
Buildings on freehold land:												
- Factory building	393,427,172	292,500	21,151,387	28,956,870	-	**443,827,929**	114,542,402	14,100,983	-	128,643,385	**315,184,544**	5%
- Residential building	89,214,936	-	-	16,222,235	-	**105,437,171**	25,196,349	3,256,296	-	28,452,645	**76,984,526**	5%
	482,642,108	292,500	21,151,387	45,179,105	-	**549,265,100**	139,738,751	17,357,279	-	157,096,030	**392,169,070**	
Plant and machinery including generators	2,925,094,481	59,982,994	52,989,146	(77,132,793)	-	**2,960,933,828**	836,607,060	121,652,267	-	958,259,327	**2,002,674,501**	5% & 10%
Power grid station	100,516,512	-	-	-	-	**100,516,512**	40,803,891	5,971,262	-	46,775,153	**53,741,359**	5%
Gas installations	18,739,816	-	-	-	-	**18,739,816**	3,141,389	779,921	-	3,921,310	**14,818,506**	5%
Electric installations	54,424,014	9,776,856	-	-	-	**64,200,870**	37,539,113	3,106,350	-	40,645,463	**23,555,407**	10%
Factory equipments	1,567,019	1,519,095	-	-	-	**3,086,114**	282,999	142,318	-	425,317	**2,660,797**	10%
Office equipments	4,009,877	351,875	-	-	-	**4,361,752**	1,665,678	245,373	-	1,911,051	**2,450,701**	10%
Computer equipments	895,833	426,140	-	-	-	**1,321,973**	441,869	203,108	-	644,977	**676,996**	33%
Telephone installations	564,224	-	-	-	-	**564,224**	364,942	19,929	-	384,871	**179,353**	10%
Furniture and fittings	1,139,536	-	-	-	-	**1,139,536**	798,537	34,100	-	832,637	**306,899**	10%
Arms and ammunition	27,800	-	-	-	-	**27,800**	19,737	806	-	20,543	**7,257**	10%
Weighing scale	1,288,275	1,187,800	-	-	-	**2,476,075**	168,188	161,501	-	329,689	**2,146,386**	10%
Tube well	45,000	-	-	-	-	**45,000**	33,236	1,176	-	34,412	**10,588**	10%
Vehicles (note 3.1.3)	36,915,626	3,285,650	-	-	-	**40,201,276**	19,151,409	3,953,528	-	23,104,937	**17,096,339**	20%
	3,688,485,121	**76,822,910**	**74,140,533**	**(25,218,688)**	**-**	**3,814,229,876**	**1,080,756,799**	**153,628,918**	**-**	**1,234,385,717**	**2,579,844,159**	

Operating property, plant and equipment
For comparative year ended June 30, 2015

PARTICULARS	COST / REVALUED AMOUNTS						DEPRECIATION CHARGE				BOOK VALUE	RATE
	As at June 30, 2014	*Additions*	*Transfer from capital work-in-progress*	*Revaluation surplus / (impairment)*	*Disposals / Adjustments*	*As at June 30, 2015*	*Accumulated as at June 30, 2014*	*For the year*	*Accumulated depreciation on disposals*	*Accumulated as at June 30, 2015*	*As at June 30, 2015*	
	Rupees						*Rupees*					
Owned assets:												
Land - freehold	60,615,000	-	-	-	-	60,615,000	-	-	-	-	60,615,000	
Buildings on freehold land:												
- Factory building	392,698,977	728,195	-	-	-	393,427,172	99,899,389	14,643,013	-	114,542,402	278,884,770	5%
- Residential building	89,214,936	-	-	-	-	89,214,936	21,826,949	3,369,400	-	25,196,349	64,018,587	5%
	481,913,913	728,195	-	-	-	482,642,108	121,726,338	18,012,413	-	139,738,751	342,903,357	
Plant and machinery including generators	2,620,240,911	165,694,211	139,159,359	-		2,925,094,481	727,337,381	109,269,679	-	836,607,060	2,088,487,421	5% & 10%
Power grid station	100,516,512	-	-	-	-	100,516,512	34,169,155	6,634,736	-	40,803,891	59,712,621	10%
Gas installations	18,739,816	-	-	-	-	18,739,816	2,320,419	820,970	-	3,141,389	15,598,427	5%
Electric installations	48,918,518	5,505,496	-	-	-	54,424,014	35,036,271	2,502,842	-	37,539,113	16,884,901	15%
Factory equipments	1,567,019	-	-	-	-	1,567,019	140,331	142,668	-	282,999	1,284,020	10%
Office equipments	3,744,377	265,500	-	-	-	4,009,877	1,419,242	246,436	-	1,665,678	2,344,199	10%
Computer equipments	838,233	57,600	-	-	-	895,833	237,188	204,681	-	441,869	453,964	33%
Telephone installations	458,224	106,000	-	-	-	564,224	351,735	13,207	-	364,942	199,282	10%
Furniture and fittings	1,139,536	-	-	-	-	1,139,536	760,648	37,889	-	798,537	340,999	10%
Arms and ammunition	27,800	-	-	-	-	27,800	18,841	896	-	19,737	8,063	10%
Weighing scale	210,000	1,078,275	-	-	-	1,288,275	153,558	14,630	-	168,188	1,120,087	10%
Tube well	45,000	-	-	-	-	45,000	31,929	1,307	-	33,236	11,764	10%
Vehicles (note 3.1.3)	36,761,218	4,069,120	-	-	(3,914,712)	36,915,626	17,669,690	3,954,198	(2,472,479)	19,151,409	17,764,217	20%
	3,375,736,077	177,504,397	139,159,359	-	(3,914,712)	3,688,485,121	941,372,726	141,856,552	(2,472,479)	1,080,756,799	2,607,728,322	

3.1.1 Depreciation for the year has been allocated as follows:

	Notes	2016	2015
		Rupees	*Rupees*
Cost of sales	**27**	**145,773,460**	133,887,177
Administrative expenses	**31**	**7,855,458**	7,969,375
		153,628,918	141,856,552

3.1.2 Net book value of plant and machinery includes Rs. 54.613 million (2015: Rs. 38.017 million) representing net book value of spare parts capitalized.

3.1.3 Vehicles include a vehicle whose title is jointly in the name of the Company and one of its Bankers.

3.1.4 Costs of plant and machinery include borrowing costs capitalized during the year amounting to Rs. 1.133 million (2015: Rs. 9.390 million). Interest rates used to determine borrowing cost eligible for capitalization was 8.00% to 9.00% (2015: ranging from 9.81% to 12.18%) per annum.

3.1.5 Revaluation of freehold land, building on freehold land and plant and machinery was carried out on June 26, 2016 by an independent valuer (M/s Iqbal A. Nanjee & Co. (Pvt.) Ltd., Karachi) on the basis of evaluated present values. Revaluation surplus on land and building amounting to Rs. 51.914 million has been credited to surplus on revaluation of property, plant and equipment (note 16), net of related deferred tax. Impairment of Rs. 77.133 million on plant and machinery has been recognized against existing surplus on revaluation of plant and machinery. Previously, the revaluation was carried out on June 22, 2013 by the same valuer.

3.1.6 Had there been no revaluations, the related carrying values of freehold land, buildings on freehold land and plant and machinery including generators would have been as follows:

3.1.7 Property, plant and equipment have restrictions on title as these are subject to charges to secure bank borrowings as mentioned in note 18 and note 21.4.

	2016	*2015*
	Rupees	*Rupees*
Freehold land	**2,577,758**	2,577,758
Buildings on freehold land	**127,097,333**	111,308,206
Plant and machinery including generators	**1,515,976,072**	1,481,405,008
	1,645,651,163	1,595,290,972

3.2 Capital work-in-progress

	As at June 30, 2015	***Additions during the year***	***Transferred to operating property, plant and equipment***	***As at June 30, 2016***
	Rupees			
Plant and machinery including generators	52,164,674	1,069,915	(52,989,146)	245,443
Factory building	5,946,342	15,205,045	(21,151,387)	-
	58,111,016	**16,274,960**	**(74,140,533)**	**245,443**

		Notes	2016 Rupees	2015 Rupees
4.	***INTANGIBLE ASSETS***			
	Computer Software			
	Opening Balance		**960,000**	-
	Purchased during the year		**-**	1,200,000
	Amortization charged during the year		**240,000**	240,000
	Book value as on June 30		**720,000**	960,000
	Rate of amortization		**20%**	20%
5.	***LONG TERM DEPOSITS***			
	Security deposits against:			
	Utilities	**5.1**	**39,208,610**	39,208,610
	Others		**76,000**	76,000
			39,284,610	39,284,610

5.1 These include security deposit of Rs. 34.593 million (2015: Rs. 34.593 million) deposited with Sui Northern Gas Pipelines Limited (SNGPL) against Gas Connection at mills. The principal amount of deposit bears markup @ 5% (2015: 5%) per annum.

			2016 Rupees	2015 Rupees
6.	***STORES, SPARE PARTS AND LOOSE TOOLS***			
	Stores		**25,583,621**	28,092,152
	Spare parts		**17,288,559**	17,849,340
	Loose tools		**530,547**	522,925
	Less: allowance for obsolescence and slow moving items		**(78,011)**	(51,761)
			43,324,716	46,412,656
7.	***STOCK-IN-TRADE***			
	Raw material		**302,231,450**	286,476,695
	Work-in-process		**44,148,987**	40,072,191
	Finished goods		**302,931,689**	214,407,271
			649,312,126	540,956,157

Stock-in-trade has been measured at lower of cost and net realizable value. Adjustments amounting to Rs. 1.1 million (2015: Rs. 22.614 million) have been made to closing inventory to write down stocks to their net realizable value.

		Notes	2016 Rupees	2015 Rupees
8.	***TRADE DEBTS***			
	Considered good			
	Foreign - secured against letter of credits	**8.3**	**27,642,714**	133,720,938
	Local - unsecured	**8.2 and 8.3**	**151,412,844**	73,763,239
			179,055,558	207,484,177

8.1 Trade debts are non-interest bearing.

8.2 These include Rs. 13.908 million (2015: Rs. 6.560) due from the associated undertaking of the Company (Ahmad Cotton Industries) on account of sale of cotton seed.

8.3 Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable, where appropriate.

TRADE DEBTS - continued

Ageing of trade debts is as follows:

Year	Neither past due nor impaired (less than 90 days)	Past due but not impaired		
		90-180 days	180-365 days	1 to 2 Years
	Rupees			
2016	**171,446,909**	**818,850**	-	**6,789,799**
2015	204,497,843	1,165,453	1,820,881	-

	Notes	2016 Rupees	2015 Rupees
9. LOANS AND ADVANCES - considered good			
Advance payments:			
To employees			
Executives	**9.1**	**340,514**	340,734
Others		**373,087**	353,887
To suppliers and against expenses		**36,084,292**	30,966,785
Income tax		**33,476,431**	36,465,413
Letters of credits		**4,441**	150,367
		70,278,765	68,277,186

9.1 These advances are given to executives to meet their unusual personal expenses. The maximum aggregate amount due from executives at any month end during the year was Rs. 0.391 million (2015: Rs. 0.770 million). Reconciliation of these advances is as follows:

	2016	2015
Opening balance	**340,734**	849,597
Disbursements during the year	**55,000**	725,000
Repayments during the year	**(55,220)**	(1,233,863)
	340,514	340,734

	Notes	2016	2015
10. TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax		**22,775,225**	27,420,875
Income tax		**76,593,002**	54,158,488
		99,368,227	81,579,363
11. OTHER RECEIVABLES			
Markup receivable on deposit with SNGPL	**5.1**	**1,729,676**	1,729,676
Others	**11.1**	**5,255,152**	5,242,615
		6,984,828	6,972,291

11.1 These include Rs. 3.576 million (2015: Rs. 3.576 million) paid to Excise and Taxation Department as mentioned in Note 25.1.1.

12. SHORT TERM INVESTMENTS

At fair value through profit and loss account - held for trading

The Company holds investments in following listed/unlisted companies and certificates of mutual funds. The face value of all shares is Rs. 10 per share unless otherwise stated.

2016	2015	Name of investee Company	2016	2015
No. of shares / certificates			Rupees	Rupees
4,386	17,386	Habib Bank Limited	**866,499**	3,740,598
-	18,000	Meezan Bank Limited	**-**	738,000
4,000	4,000	Lalpir Power Limited	**86,800**	122,000
-	50,000	NIT - Islamic Equity Funds (IEF)	**-**	513,500
			953,299	5,114,098

12.1 Listed shares have been valued at the market price prevailing on Pakistan Stock Exchange Limited as at the balance sheet date. During the year Units of NIT-IEF have been disposed of. Previously these were valued at the Net assets value per unit prevailing at the balance sheet date as quoted by the NIT-IEF. During the year, unrealized loss of Rs 112,350 on remeasurement of these investments was recorded in other operating expenses (2015: Unrealized gain of Rs. 825,540 was recorded in other income).

	2016 Rupees	2015 Rupees
13. CASH AND BANK BALANCES		
Cash in hand	**520,016**	173,022
Cash at banks in current accounts	**4,783,530**	4,386,041
	5,303,546	4,559,063
14. SHARE CAPITAL		
Authorized share capital:		
20,000,000 (2015: 20,000,000) ordinary shares of Rs. 10 each.	**200,000,000**	200,000,000
Issued, subscribed and paid up share capital:		
14,408,248.8 (2015: 14,408,248.8) ordinary shares of Rs. 10 each issued for cash.	**144,082,488**	144,082,488

14.1 There is no movement in share capital during the reporting years.

14.2 The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally.

15. CAPITAL RESERVE

This includes share premium received during the previous years as detailed below:

	2016	2015
Rs. 4 per share on 2,989,920 ordinary shares of Rs. 10 each issued during the year 2001	**11,959,680**	11,959,680
Rs. 10 per share on 1,138,992 ordinary shares of Rs. 10 each issued during the year 2004	**11,389,920**	11,389,920
Rs. 5 per share on 1,879,336.8 ordinary shares of Rs. 10 each issued during the year 2007	**9,396,684**	9,396,684
	32,746,284	32,746,284

16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

16.1. Property, plant and equipment are revalued on regular basis as stated in note 3.1.5. The appraisal surplus on the revaluation was credited to the surplus on revaluation account to comply with the requirements of Section 235 of the Companies Ordinance, 1984. A revaluation decrease has been recognised as reduction of existing revaluation surplus on the same assets. Below is the detail of revaluation surplus/impairment arose during the year:

	Freehold land	Buildings on freehold land	Plant and machinery including generators	Total
	Rupees			
Revalued amounts as at June 26, 2016	60,615,000	504,085,995	3,038,066,621	**3,602,767,616**
Accumulated depreciation as at June 26, 2016	-	155,455,156	948,854,066	**1,104,309,222**
Book value before revaluation adjustments as at June 26, 2016	60,615,000	348,630,839	2,089,212,555	**2,498,458,394**
Revalued amounts	67,350,000	393,809,944	2,012,079,762	**2,473,239,706**
Revaluation surplus / (impairment) - net	6,735,000	45,179,105	(77,132,793)	**(25,218,688)**
Related deferred tax arose on revaluation surplus/impairment - net (note 19)	-	(6,295,482)	10,748,069	**4,452,587**
Net impact of revaluation carried out during the year charged to surplus	6,735,000	38,883,623	(66,384,724)	**(20,766,101)**

16.2. The breakup of revaluation surplus at the balance sheet date is as follows:

	Notes	2016 Rupees	2015 Rupees
Opening balance		**895,941,592**	934,406,676
Impact of revaluation carried out during the year (net of deferred tax)	16.1	**(20,766,101)**	-
Less: Transferred to unappropriated profit on account of:			
Incremental depreciation		**(41,724,901)**	(43,781,295)
Relevant deferred tax		**5,814,156**	5,316,211
		(35,910,745)	(38,465,084)
Closing balance		**839,264,746**	895,941,592

17. SUBORDINATED LOANS

Unsecured- from related parties

	2016	2015
Mian Muhammad Javed Anwar	**27,500,000**	27,500,000
Mian Muhammad Parvez	**27,500,000**	27,500,000
Dr. Muhammad Haris	**35,000,000**	35,000,000
Mrs. Waheeda Parvez	**15,000,000**	15,000,000
	105,000,000	105,000,000

17.1 These interest free loans were obtained during the years ended June 30, 2008 and 2009. These loans are subordinated to long term finances from Habib Bank Limited, Allied Bank Limited and Bank Alfalah Limited. These are repayable at the discretion of the Company after the full repayments of long term finances and clearance from the banks. Hence, repayment terms are not identified. These are not measured at amortized cost as per IAS 39. Rather, these are recorded as equity at face value in accordance with the guideline provided through TR 32 - Accounting Directors Loan issued by the Institute of Chartered Accountants of Pakistan.

18. *LONG TERM FINANCING*

From banking companies - secured

Name of the Bank / Type of Facility	2016 Rupees	2015 Rupees	Collaterals / Securities	Total no. of installments	Remaining no. of installments	Frequency of payment	Repayment commencing from	Rate of markup
Habib Bank Limited (HBL)								
Demand Finance - V	-	4,067,497	- Joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of sponsoring directors of the Company. - Subordination of directors' loan.	64	-	Monthly	28-Feb-10	Average 6 Months KIBOR + 0.75%
Demand Finance - VI	-	7,500,004		60	-	Monthly	31-Mar-11	Average 6 Months KIBOR + 0.75%
Demand Finance (note-18.2)	40,000,000	-		48	48	Monthly	27-Jul-16	6 Months KIBOR + 1.5%
	40,000,000	11,567,501						
Allied Bank Limited (ABL)								
Long Term Finance - EOP	-	7,962,108	- Joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of sponsoring directors of the Company. - Subordination of directors' loan.	12	-	Half yearly	24-Dec-09	SBP base rate + 0.5%
LTFF	51,618,294	51,618,294		12	12	Half yearly	23-Dec-16	SBP base rate +3%
LTFF	37,547,374	-		12	12	Half yearly	7-Mar-17	SBP base rate +3%
	89,165,668	59,580,402						
United Bank Limited (UBL)								
Demand Finance (NIDF)	56,138,666	100,000,000	- Joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of sponsoring directors of the Company.	12	10	Half yearly	24-Dec-15	6 M-KIBOR + 1.50%
LTFF (note-18.3)	32,633,600	-		10	10	Half yearly	15-Jan-17	SBP base rate +3%
	88,772,266	100,000,000						
Bank Alfalah Limited (BAFL)								
Term Finance	55,985,594	71,981,479	-1st exclusive charge over specific machinery and joint pari passu charge on present and future fixed Assets of the company. - Subordination of directors' loan. - Personal Guarantees of working directors of the Company.	20	14	Quarterly	05-Mar-15	6 Month KIBOR +1.50 %
Term Finance - TF1	50,032,350	52,665,600		20	19	Quarterly	05-Jun-16	6 Month KIBOR +1.50 %
Long term Finance - TF2	39,597,823	50,911,486		20	14	Quarterly	05-Mar-15	SBP base rate + 2.5%
	145,615,767	175,558,565						
Bank Al Habib Limited (BAHL)								
Term Finance - II	11,166,668	26,055,555	- First exclusive charge over specific machineries and allied parts and joint pari passu charge on present and future fixed assets of the Company. - Hypothecation charge over imported vehicle duly registered and insured in the joint name of the Bank and the Company. - Personal Guarantees of sponsoring directors of the Company. - Hypothecation charge over Prado insured in Joint name of Company and Bank. - Promissory notes of directors.	18	3	Quarterly	09-Oct-12	Average 6 Months KIBOR + 1.50%
Term Finance - III	60,737,201	79,425,569		20	13	Quarterly	16-Nov-14	Average 6 Months KIBOR + 1.50%
Term Finance - LTFF-II	28,350,000	36,450,000		20	14	Quarterly	17-Mar-15	SBP base rate + 2%
Term Finance - IV	2,600,000	3,900,000		20	8	Quarterly	19-Jul-13	Average 6 Months KIBOR + 1.50%
Long Term Finance - LTFF-I	53,250,000	71,000,000		20	12	Quarterly	21-Aug-14	SBP base rate + 2%
	156,103,869	**216,831,124**						
TOTAL FINANCES	**519,657,570**	563,537,592						
Less: Current portion classified under current liabilities (note 22)	**(129,356,390)**	(112,832,914)						
LONG TERM FINANCES	**390,301,180**	450,704,678						

18.1 Effective rate of mark up on long term loans ranges from 5.50% to 10.40% (2015: 5.50% to 12.18%) per annum.

18.2 This Demand Finance has been disbursed during the year to repay the outstanding amount of short term running finance form HBL. This is repayable in 48 monthly installments. First six installments will be of Rs. 500,000/- each and remaining 42 installments will be of Rs. 880,952/- each.

18.3 This has been converted from originally disbursed demand finance. Accordingly, the mark-up rate has also been revised during the year.

	Notes	2016 Rupees	2015 Rupees
19. DEFERRED TAXATION			
The deferred taxation liability comprises of temporary differences arising due to:			
Credit balance arising in respect of:			
- Accelerated tax depreciation allowances and surplus on revaluation of property, plant and equipment		**256,177,654**	227,479,478
- Deferred tax arose on revaluation surplus/impairment - net	**16.1**	**(4,452,587)**	-
		251,725,067	227,479,478
Debit balance arising in respect of:			
- Unused tax losses		**(12,057,229)**	(14,907,191)
- Minimum tax paid in excess of normal tax		**(40,690,497)**	(12,327,206)
- Provisions		**(10,870)**	(6,285)
		198,966,471	200,238,796

19.1 The change in deferred tax liability due to change in future tax rates amounts to Rs. 6.418 million (June 30, 2015: Rs. 6.643 million).

	Notes	2016 Rupees	2015 Rupees
20. TRADE AND OTHER PAYABLES			
Creditors		**50,638,794**	83,509,043
Accrued liabilities	**20.1**	**39,274,924**	66,428,572
Advances from customers		**2,434,997**	8,804,335
Taxes deducted at source		**5,421,221**	1,010,048
Workers' Profit Participation Fund		**458,247**	-
Workers' Welfare Fund		**280,575**	280,575
Unclaimed dividend		**3,022,107**	3,022,107
Other payables		**181,450**	-
		101,712,315	163,054,680

20.1 These include Rs. 456,431 (2015: Rs. Nil) being salary payable to chief executive and director.

	Notes	2016 Rupees	2015 Rupees
21. SHORT TERM FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES			
From banking companies - Secured			
Short term running finances	**21.1**	**223,691,974**	204,407,194
Short term loans (other than running finances)	**21.1**	**604,792,984**	310,722,212
Export finances	**21.2**	**59,908,180**	243,314,596
		888,393,138	758,444,002

21.1 Short term finance facilities available from commercial banks under markup arrangements aggregate to Rs. 1,521.00 million (2015: Rs. 1,921.00 million) of which facilities aggregating Rs. 1,000.15 million (2015: Rs. 1,406.41 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 6.99% to 8.50% (2015: 7.44% to 11.93%) per annum. These facilities are expiring, if not renewed, on various dates by March 31, 2017.

21.2 The Company has obtained export finance facilities (including facilities for foreign currency finances and foreign bills purchases) from commercial banks aggregating to Rs. 1,270 million (2015: Rs. 1,220.4 million) of which facilities aggregating Rs. 1,209 million (2015: Rs. 976.32 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 1.00% to 8.01% (2015: 1.60% to 2.80%) per annum. These facilities are expiring, if not renewed, on various dates by March 31, 2017.

SHORT TERM FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES - continued

The outstanding balances against export finances include foreign currency balances aggregated to US$ Nil (2015: US$ 1.33 million converted into Pak Rupee at the exchange rate of Rs. 101.70 prevailing on June 30, 2015).

21.3 Facilities available for issuance of letters of credit (including facilities available for Inland Bill Purchases amounting to Rs. 25 million (2015: Rs.25 million)) and bank guarantees aggregate to Rs. 899.00 million (2015: Rs. 600.00 million).

21.4 The aggregate facilities of Rs. 3,690 million (2015: Rs. 3,497 million) are secured against pledge of stocks, ranking charge and joint pari passu charge on present and future current assets of the Company and first pari passu charge on fixed assets, lien on import/export documents, buy back indemnities, promissory notes, counter guarantees of the company, trust receipts and personal guarantees of sponsoring directors of the Company. The carrying value of pledged goods as on June 30, 2016 as valued by the banks is Rs. 605.785 million (2015: Rs. 461.476 million).

	Notes	2016 Rupees	2015 Rupees
22. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term financing from banking companies:			
Habib Bank Limited		**8,285,714**	11,567,501
Allied Bank Limited		**11,731,998**	7,962,108
Bank Alfalah Limited		**37,842,548**	32,576,048
Bank Al Habib Limited		**57,005,036**	60,727,257
United Bank Limited		**14,491,094**	-
	18	**129,356,390**	112,832,914
23. ACCRUED FINANCE COST			
Long term financing		**11,213,739**	13,804,135
Short term Finances under markup arrangements and other credit facilities		**14,502,907**	10,578,987
		25,716,646	24,383,122
24. PROVISION FOR TAXATION			
Opening Balance		**2,574,749**	2,527,188
Add: Provision made during the year	**34**	**23,907,200**	2,574,749
Less: Prior year adjustment		**(59,766)**	2,351,753
Payments / adjustments against completed assessments		**(2,514,983)**	(4,878,941)
Closing balance		**23,907,200**	2,574,749

24.1 Income tax returns of the Company have been filed up to the Tax Year 2015 and deemed assessed.

24.2 The Company has been selected for audit for tax year 2013, the proceedings of which are in process.

24.3 On June 06, 2013 Inland Revenue Audit Officer passed an order levying default surcharge amounting to Rs. 154,236 for late deposit of tax deducted on account of dividend. The Company did not account for default surcharge and filed an appeal before the Commissioner of Income Tax (Appeals), Multan who decided the case in favour of the Company. However, the Tax Department filed an appeal before the Appellate Tribunal which is pending for adjudication. The Company is of firm view that the decision will be in favour of the Company and hence has not accounted for any liability.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 During the previous years, the Excise and Taxation Department Karachi imposed excise duty of Rs. 7.152 million on account of machinery imported by the Company. The Company did not accept it and filed a suit in Sindh High Court, Karachi against said levy. The Honourable High Court issued order that "Till the next date, the respondent may not recover impugned levy upon the appellants furnishing bank guarantee for the amount demanded". A bank guarantee amounting to Rs. 7.152 million had been given by the Company in favour of the Director Excise and Taxation Karachi. In 2013, on the basis of interim order passed by Sindh High Court, the Company paid Rs. 3.576 million (50% of the disputed amount) to Excise and Taxation Department, that is classified as receivable in these financial statements.

25.1.2 The Company issued various postdated cheques of Rs. 205.637 million to Collector of Customs, Multan against the amount of Sales Tax, Customs Duty and Income Tax on import of cotton yarn, chemical and packing material under Duty and Tax Remission for Exports (DTRE) Scheme. These cheques will be returned to the Company after complying with the formal requirements.

25.1.3 During the current and previous year, the Sui Northern Gas Pipelines Limited (SNGPL) levied the Gas Infrastructure Development Cess (GIDC) in the monthly gas bills; under the GIDC Act, 2015. The Company filed a petition in the Lahore High Court against such collection of GIDC. The Honourable Lahore High Court allowed the Company to pay its gas bills without GIDC till the matter is decided. The deferred accumulated amount of GIDC not accounted for in these financial statements aggregates to Rs. 42.113 million. The Company expects favourable outcome and is of the firm view that this amount will not be paid.

25.1.4 During the year the Multan Electric Power Company Limited (MEPCO) levied various charges including fixed charges, NJ Surcharge, DS Surcharge, EQ Surcharge and TR Surcharge in the monthly electricity bills. The Company did not pay some of these amounts and obtained stay orders against levy of such charges. The aggregate amount not accounted for in these financial statements amounts to Rs. 11.143 million. The Company is strongly contesting the case and is of the firm view that decision will be made in favour of the Company.

25.1.5 Through the Finance Act, 2006 an amendment was made in section 2(i) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'total income' had been amended, the effect of the amendment is that the term "total income" for the purposes of the WWF Ordinance is deemed to be 'profit before taxation' as per the accounts or declared income as per the return, whichever is higher.

Further, through Finance Act, 2008 amendments were made in the WWF Ordinance, and in section 4(5) the term "assessed income" had been substituted with the term "total income" which means that purportedly the WWF is to be charged at 2% of the "total income", as defined and amended in section 2(i) through Finance Act, 2006.

The Honourable Lahore High Court vide its judgment dated August 19, 2011 on a similar case had declared the amendments introduced vide Finance Act, 2006 and Finance Act, 2008 in the WWF Ordinance as unconstitutional and therefore struck down on the basis that the contribution paid towards the fund under the WWF Ordinance is a fee and not a tax. However FBR has filed an appeal with the Supreme Court of Pakistan which had been granted leave but the decision is still pending. 'Moreover in similar cases, the Honourable Lahore High Court restrained FBR to recover the disputed / differential amount of WWF unless authoritative pronouncement is made on the question raised before the Divisional Bench of the Honourable Lahore High Court and Honourable Supreme Court of Pakistan.

Contingencies - continued

Based on the above facts, the Company is booking its liability against WWF @2% of assessable income. The aggregate unrecognised disputed amount of WWF till June 30, 2016 works out to be Rs. 14.689 million (June 30, 2015 Rs. 14.515 million).

25.1.6 Bankers of the Company have given guarantees to SNGPL and Excise & Taxation department amounting to Rs. 19.923 million (2015: Rs. 4.576 million) on behalf of the Company. The Company has also issued counter guarantees to its bankers for the same amount.

25.1.7 During the previous year the Company had given a bank guarantee of Rs. 1.00 Million to the Director Excise and Taxation, Karachi against 50% disputed amount of infrastructure Cess for release of imported goods. The decision of Sind High Court on Infrastructure cess is pending. The Company expects favorable decision.

25.1.8 Refer to contents of the note 24.2 and note 24.3.

	2016 Rupees	*2015 Rupees*
25.2 Commitments		
25.2.1 Aggregate amount of contractual commitments for capital expenditure are as follows:		
Letters of credits	**16,554,745**	37,395,962
Other contracts	**-**	9,538,314

25.2.2 The Company's commitments other than capital expenditure; against letter of credit outstanding as at June 30, 2016 amount to Rs. 0.832 million (2015: Rs. Nil).

25.2.3 Foreign bills discounted outstanding as at June 30, 2016 aggregated Rs. 109.701 million (2015: Rs. 134.457 million).

26. SALES - NET

	2016	2015
Local:		
Yarn (net of sales tax of Rs. 10,426,038 (2015: Rs. 4,641,816))	**340,192,423**	194,890,800
Fabric (net of sales tax of Rs. 50,391,336 (2015: Rs. 26,894,451))	**1,621,154,205**	879,657,105
Waste (net of sales tax of Rs. 2,043,864 (2015: Rs. 884,205))	**72,424,084**	61,190,596
Cotton seed (net of sales tax of Rs. 332,106 (2015: Rs. Nil))	**78,790,453**	73,736,400
Processing income (net of sales tax of Rs. 356,296 (2015: Rs. 140,620))	**11,876,545**	7,032,663
	2,124,437,710	1,216,507,564
Export:		
Yarn	**631,027,929**	747,773,032
Fabric	**700,086,373**	1,280,142,540
Waste	**-**	4,445,218
	1,331,114,302	2,032,360,790
	3,455,552,012	3,248,868,354

Export sales include sales of Rs. Nil (2015: Rs. 37.200 million) made through Standardized Purchase Orders.

	Notes	2016 Rupees	2015 Rupees
27. COST OF SALES			
Raw material consumed	27.1	2,372,582,639	2,030,306,064
Salaries, wages and other benefits	27.2	234,231,475	183,649,966
Stores and spare parts consumed		69,398,135	79,921,175
Packing materials consumed		44,951,251	38,170,416
Chemicals consumed		37,953,512	27,708,799
Rent, rates and taxes		537,750	594,470
Processing charges		2,023,475	1,252,589
Power and fuel		370,707,125	439,769,229
Repair and maintenance		10,503,772	9,859,932
Insurance		11,522,056	7,475,623
Other expenses		310,990	305,203
Depreciation on property, plant and equipment	3.1.1	145,773,460	133,887,177
		3,300,495,640	2,952,900,643
Adjustment of work-in-process:			
Opening stock		40,072,191	63,914,578
Closing stock	7	(44,148,987)	(40,072,191)
		(4,076,796)	23,842,387
Cost of goods manufactured		3,296,418,844	2,976,743,030
Adjustment of finished goods:			
Opening stock		214,407,271	277,185,499
Closing stock	7	(302,931,689)	(214,407,271)
		(88,524,418)	62,778,228
Cost of sales		3,207,894,426	3,039,521,258
27.1 Raw material consumed			
Opening stock		286,476,695	245,306,018
Purchases including direct expenses		2,388,337,394	2,071,476,741
		2,674,814,089	2,316,782,759
Less: Closing stock	7	(302,231,450)	(286,476,695)
		2,372,582,639	2,030,306,064

27.2 These include Rs. 4,595,000 (2015: Rs. 3,763,600) in respect of staff gratuity.

		2016 Rupees	2015 Rupees
28. OTHER INCOME			
Income from financial assets:			
Profit on long term investments		-	78,282
Unrealized gain on remeasurement of short term investments		-	825,540
Dividend Income		305,404	-
Mark-up on security deposit with SNGPL		1,729,676	1,739,852
Exchange rate fluctuation gain - net		402,449	1,378,630
		2,437,529	4,022,304
Income from non-financial assets:			
Gain on disposal of property, plant and equipment		-	1,232,767
		2,437,529	5,255,071

	Notes	2016 Rupees	2015 Rupees
29. PROFIT / (LOSS) ON TRADING			
Local sale of yarn (net of sales tax of Rs. 79,892 (2015: Rs. 50,820))		**2,663,016**	1,694,000
Less: Purchase and related expenses		**(1,058,810)**	(2,657,418)
		1,604,206	(963,418)
30. DISTRIBUTION COST			
Salaries, wages and other benefits	**30.1**	**2,728,714**	2,500,968
Commission on:			
Local sales		**13,703,464**	7,212,962
Export sales		**31,590,166**	57,555,799
Freight, forwarding and others on export sales		**19,477,828**	34,139,621
Export development surcharge		**3,389,056**	5,500,448
Foreign bank charges and other export expenses		**13,529,681**	16,577,759
		84,418,909	123,487,557

30.1 These include Rs. 200,153 (2015: Rs. 172,878) in respect of staff gratuity.

	Notes	2016 Rupees	2015 Rupees
31. ADMINISTRATIVE EXPENSES			
Director's meeting fee		**10,500**	4,000
Directors' remuneration		**6,000,000**	8,550,000
Staff salaries and other benefits	**31.1**	**18,111,414**	19,479,646
Vehicles running and maintenance		**3,641,702**	4,191,774
Utilities		**712,542**	938,360
Travelling and conveyance		**1,898,295**	2,628,098
Printing and stationery		**480,581**	475,897
Communication		**1,313,208**	1,482,836
Rent, rates and taxes	**31.2**	**3,084,521**	84,785
Repair and maintenance		**1,267,224**	1,377,502
Entertainment		**864,594**	1,596,813
Fees and subscription		**2,064,850**	3,087,379
Advertisement		**137,822**	95,861
Depreciation on property, plant and equipment	**3.1.1**	**7,855,458**	7,969,375
Amortization of intangible assets	**4**	**240,000**	240,000
Auditors' remuneration	**31.3**	**657,500**	775,000
Legal and professional charges		**416,060**	731,776
Others		**554,134**	396,916
		49,310,405	54,106,018

31.1 These include Rs. 1,004,847 (2015: Rs. 877,122) in respect of staff gratuity.

31.2 These include Rs. 3,000,000 (2015: Rs. Nil) paid to a director against rent of Head Office.

31.3 Auditors' remuneration

	2016 Rupees	2015 Rupees
Annual audit	**500,000**	500,000
Half yearly review	**150,000**	150,000
Taxation services	**-**	120,000
Certification	**7,500**	5,000
	657,500	775,000

	Notes	2016 Rupees	2015 Rupees
32. OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund		**458,247**	-
Unrealized loss on remeasurement short term investments		**112,350**	-
Loss on sale of short term investments		**299,012**	-
Charity and donation	**32.1**	**188,800**	183,155
		1,058,409	183,155

32.1. Donations were not made to any donee in which the Company, a director or his/her spouse had any interest at any time during the year.

33. FINANCE COST

	2016 Rupees	2015 Rupees
Markup on:		
Long term financing	**44,585,985**	41,784,105
Short term finances under markup arrangements	**60,724,188**	62,161,050
Interest on Workers' Profit Participation Fund	**-**	122,996
Bank charges	**2,894,733**	2,264,619
	108,204,906	106,332,770

34. TAXATION

	2016 Rupees	2015 Rupees
Current tax:		
Minimum tax payable on local sales	**21,271,007**	12,182,016
Final tax on exports realization	**13,933,407**	20,985,918
	35,204,414	33,167,934
Tax credits under section 65B of Income Tax Ordinance, 2001	**(11,297,214)**	(30,593,185)
	23,907,200	2,574,749
Prior year adjustment	**(262,810)**	2,351,753
Deferred tax - net	**3,180,262**	(55,422,328)
	26,824,652	(50,495,826)

Relationship between tax expense and accounting profit

The provision for current taxation represents the minimum tax and final tax liabilities under section 113 and 169 of the Income Tax Ordinance, 2001. Accordingly tax charge reconciliation has not been prepared and presented.

35. LOSS PER SHARE

35.1 Basic

		2016	2015
Loss after taxation	***Rupees***	**(18,117,960)**	(19,974,925)
Weighted average number of ordinary shares	***No.***	**14,408,248.8**	14,408,248.8
Loss per share	***Rupees***	**(1.26)**	(1.39)

35.2 Diluted

There is no dilutive effect on the basic loss per share of the Company as at June 30, 2016 and June 30, 2015.

	Notes	2016 Rupees	2015 Rupees
36. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		**8,706,692**	(70,470,751)
Adjustments for:			
Depreciation on property, plant and equipment		**153,628,918**	141,856,552
Amortization of Intangible assets		**240,000**	240,000
Provision for Workers' Profit Participation Fund		**458,247**	-
Gain on disposal of property, plant and equipment		**-**	(1,232,767)
Profit on long term investments		**-**	(78,282)
Loss / (gain) on short term investments		**411,362**	(825,540)
Mark-up on security deposit with SNGPL		**(1,729,676)**	(1,739,852)
Gain on exchange rate fluctuation - net		**(402,449)**	(1,378,630)
Finance cost		**108,204,906**	106,332,770
		260,811,308	243,174,251
Cash flows before working capital changes		**269,518,000**	172,703,500
Working capital changes:			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		**3,087,940**	(954,415)
Stock-in-trade		**(108,355,969)**	45,449,938
Trade debts		**28,831,068**	130,326,665
Loans and advances (excluding advance income tax)		**(4,990,561)**	34,283,531
Tax refunds due from Government		**4,645,650**	(36,663,848)
Other receivables (excluding mark-up on deposit with SNGPL)		**(12,537)**	3,008,904
Increase / (decrease) in current liabilities:			
Trade and other payables (excluding unclaimed dividend, provision for Workers' Profit Participation Fund and provision for Workers' Welfare Fund)		**(61,800,612)**	4,744,489
		(138,595,021)	180,195,264
CASH GENERATED FROM OPERATIONS		**130,922,979**	352,898,764

36.1 CASH AND CASH EQUIVALENTS

	Notes	2016 Rupees	2015 Rupees
Cash and bank balances	**13**	**5,303,546**	4,559,063
Short term running finances	**21**	**(223,691,974)**	(204,407,194)
		(218,388,428)	(199,848,131)

37. RELATED PARTY TRANSACTIONS

The related parties comprise of an associated undertaking (Ahmad Cotton Industries), Chief Executive, directors and executives of the Company.

37.1 Following transactions were made with the associated undertaking of the Company, during the year:

Nature of transaction	**2016 Rupees**	2015 Rupees
- Sale of cotton seed	**78,790,453**	73,736,400
- Lease rental against ginning factory	**537,750**	594,470

Maximum aggregate amount due to the associated undertaking at any month end during the year was Rs. 74,288,950 (2015: Rs. 536,781).

37.2 The Head office of the Company is owned by a director to whom rent has been paid during the year as mentioned in note 31.2.

37.3 No interest was charged on the associated undertaking's balances during the year as these arose due to normal business dealings.

37.4 Remuneration and benefits to chief executive, directors and executives under the term of their employment are disclosed in note 38.

37.5 Advances given to executives are disclosed in note 9.1.

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2016		2015	
	Rupees	**No. of persons**	Rupees	No. of persons
Managerial remuneration:				
Chief executive	**3,000,000**	**1**	2,850,000	1
Directors	**3,000,000**	**1**	5,700,000	2
Executives	**6,456,000**	**11**	5,970,000	14
	12,456,000		14,520,000	
Other benefits to executives of the Company are as follows:				
Bonus	**398,000**	**6**	431,024	8
Retirement benefits	**553,000**	**8**	1,064,583	14
	951,000		1,495,607	

38.1 Meeting fee amounting to Rs. 10,500 (2015: Rs. 4,000) was paid to two (2015: two) non-working directors. The chief executive, one director and three executives are provided with the Company maintained cars. The chief executive and one director are provided with telephone at their residences.

38.2 Remuneration of chief executive, directors and executives has been included in "Staff salaries and benefits" (note 27, note 30 and note 31).

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 Financial instruments by category

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an approximate mix between various sources of finance to minimize risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

		2016	2015
Financial assets as per balance sheet	Notes	Rupees	Rupees
Loan and receivables:			
Long-term deposits	**5**	**39,284,610**	39,284,610
Trade debts	**8**	**179,055,558**	207,484,177
Loans and advances	**9**	**36,802,334**	31,811,773
Other receivables	**11**	**6,984,828**	6,972,291
Short term investments	**12**	**953,299**	5,114,098
Cash and bank balances	**13**	**5,303,546**	4,559,063
		268,384,175	295,226,012
Financial liabilities as per balance sheet			
Financial liabilities measured at amortized cost :			
Long term financing	**18**	**519,657,570**	563,537,592
Subordinated loans	**17**	**105,000,000**	105,000,000
Trade and other payables		**101,072,618**	163,054,680
Accrued finance cost	**23**	**25,716,646**	24,383,122
Short term finances under markup arrangements and other credit facilities	**21**	**888,393,138**	758,444,002
		1,639,839,972	1,614,419,396

Financial Risk Management

The Companys activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk) and liquidity risk. The Companys senior management oversees the management of these risks. The Board of Directors reviews and approves the related policies periodically.

39.2 Credit risk and concentration of credit risk

The Company is exposed to credit risk from its operating activities (primarily for trade debts, loans and advances as well as other receivables) and from its financing activities, including balances with banks.

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fail to perform as contracted. Out of the total financial assets of Rs. 268.384 million (2015: Rs. 295.226 million) the financial assets which are subject to credit risk amounted to Rs. 267.864 million (2015: Rs. 295.053 million). The management monitors and limits the Company's exposure to credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk.

The maximum exposure to credit risk as at the reporting date is tabulated below:

Financial assets		
Long term deposits	**39,284,610**	39,284,610
Trade debts	**179,055,558**	207,484,177
Loans and advances	**36,802,334**	31,811,773
Other receivables	**6,984,828**	6,972,291
Short term investments	**953,299**	5,114,098
Bank balances	**4,783,530**	4,386,041
	267,864,159	295,052,990

The bank balances and investments along with credit ratings of counterparties are tabulated below:

Credit rating	**Bank Balances**	**Short term Investments**
	Rupees	
June 30, 2016:		
A-1+	**543,882**	**866,499**
A1+	**4,239,648**	**86,800**
	4,783,530	**953,299**
June 30, 2015:		
A-1+	100,805	4,478,598
A1+	4,285,236	122,000
Three star	-	513,500
	4,386,041	5,114,098

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

39.2 .1 Credit risk related to receivables

Customer credit risk is managed by each business unit subject to the Companys established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on past experience with the customers. Outstanding customer receivables are regularly monitored.

At June 30, 2016, the Company has 11 customers that owed more than Rs. 5.8 million each (2015: 17 customers that owed more than Rs. 6.1 million each) and accounted for approximately 77% (2015: 76%) of all trade debts. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned in Note 8.

The Company does not hold collateral as security against local debtors. However, foreign debtors are secured against letters of credit. The ageing analysis of trade debts is given in note 8.3.

39.2 .2 Credit risk related to financial instruments and cash deposits

Credit risk on balances with banks is managed by management in accordance with the Companys policy. Excess funds are placed in deposits with reputable banks and financial institutions.

39.3 Liquidity risk management

Liquidity risk reflects the Companys inability in raising funds to meet commitments. Management closely monitors the Companys liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 21, is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Financial Liabilities in accordance with their contractual maturities are presented as follows:

	Interest/markup bearing			*Non-Interest/markup bearing*			
	Maturity within 1 year	*Maturity after 1 year*	*Sub-total*	*Maturity within 1 year*	*Maturity after 1 year*	*Sub-total*	*Total*
June 30, 2016	*Rupees*						
Financial liabilities							
Long term financing	**129,356,390**	**390,301,180**	**519,657,570**	**-**	**-**	**-**	**519,657,570**
Subordinated loan	**-**	**-**	**-**	**-**	**105,000,000**	**105,000,000**	**105,000,000**
Trade and other payables	**-**	**-**	**-**	**101,072,618**	**-**	**101,072,618**	**101,072,618**
Accrued finance cost	**-**	**-**	**-**	**25,716,646**	**-**	**25,716,646**	**25,716,646**
Short term finances	**888,393,138**	**-**	**888,393,138**	**-**	**-**	**-**	**888,393,138**
	1,017,749,528	**390,301,180**	**1,408,050,708**	**126,789,264**	**105,000,000**	**231,789,264**	**1,639,839,972**
June 30, 2015							
Financial liabilities							
Long term financing	112,832,914	450,704,678	563,537,592	-	-	-	563,537,592
Subordinated loans	-	-	-	-	105,000,000	105,000,000	105,000,000
Trade and other payables	-	-	-	163,054,680	-	163,054,680	163,054,680
Accrued finance cost	-	-	-	24,383,122	-	24,383,122	24,383,122
Short-term finances	758,444,002	-	758,444,002	-	-	-	758,444,002
	871,276,916	450,704,678	1,321,981,594	187,437,802	105,000,000	292,437,802	1,614,419,396

39.4 Market risk management

Market risk is the risk that changes market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The management of the Company continuously monitors its investments to avoid such risks.

39.4 .1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Companys exposure to the risk of changes in market interest rates relates primarily to the Companys short term debt obligations and long term debts having floating interest rates.

39.4 .2 Interest rate sensitivity

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Companys profit before taxation for the year ended June 30, 2016 would increase / decrease by Rs. 6.825 million (2015: Rs. 6.324 million). This is mainly attributable to the Companys exposure to interest rates on its variable rate borrowings.

The Companys sensitivity to interest rates has increased during the current year mainly due to the increase in borrowings and variable rate debts.

39.4 .3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2016, the total foreign currency risk exposure was Rs. 27.643 million (2015: Rs. 133.721 million) in respect of foreign trade debts. However, Rs. Nil (2015: Rs. 135.261 million) were payable in respect of foreign currency borrowing.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

39.4 .4 Foreign currency sensitivity analysis

At June 30, 2016, if the Pak Rupee had strengthened / weakened by 5% against the US dollar with all other variables held constant, profit before taxation for the year would have been increased / decreased by Rs. 0.020 million (2015: Rs. 0.069 million). Profit is less sensitive to movement in Rupee / foreign currency exchange rates in year 2016 than in year 2015.

39.4 .5 Equity price risk management

The Company is exposed to equity price risk since it has investments in listed equity securities amounting to Rs. 0.953 million (2015: Rs. 5.114 million)

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Companys portfolio of short term investments is diversified so as to mitigate the significant risk of decline in prices of securities in particular sector of the market.

39.5 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

39.6 Fair value estimation

IFRS 13 requires fair value measurement disclosures using following three level fair value hierarchy that reflects the significance of the inputs used in measuring fair value of financial instruments.

- Level 1; Quoted prices (unadjusted) in active market for identical assets or liabilities

- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. drive from prices).

- Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques unless the instruments do not have a market or quoted price in an active market and whose fair value cannot be reliably measured. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

The table below analyses equity instruments measured at fair value at the balance sheet date by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2016 (Rupees)		
	Level 1	**Level 2**	**Total**
Short term investments - held for trading	953,299	-	**953,299**
	2015 (Rupees)		
	Level 1	Level 2	Tota l
Short term investments - held for trading	4,600,598	513,500	5,114,098

40. CAPITAL DISCLOSURE

The Company's objectives, policies and processes for managing capital are as follows:

- The Company is not subject to any externally imposed capital requirements.
- The Companys objectives when managing capital are to safeguard the Companys ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
- Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e., share capital and unappropriated profit) plus net debt.
- The debt-to-adjusted capital ratios at June 30, 2016 and June 30, 2015 were as follows:

	2016	*2015*
	Rupees	*Rupees*
Total debt	**1,513,050,708**	1,426,981,594
Less: Cash and bank balances	**(5,303,546)**	(4,559,063)
Net debt	**1,507,747,162**	1,422,422,531
Total equity	**972,057,191**	954,264,406
Adjusted capital	**2,479,804,353**	2,376,686,937
Debt-to-adjusted capital ratio	**0.61**	0.60

41. SEGMENT REPORTING

41.1 REPORTABLE SEGMENTS

The management has determined the operating segments of the Company on the basis of the difference in the products produced.

The Company's reportable segments are as follows:
- Ginning segment taken on operating lease - production of cotton lint from raw cotton.
- Spinning segment - production of different qualities of yarn by using natural and artificial fibers.
- Weaving segment - production of different qualities of fabric using yarn.

Information regarding the Company's reportable segments is presented below:

41.2 SEGMENT REVENUE AND RESULTS

Following is an analysis of the Company's revenue and results by reportable operating segments:

	Ginning Rupees	Spinning Rupees	Weaving Rupees	**2016 Rupees**	2015 Rupees
Sales - net					
External	79,522,754	1,022,919,869	2,353,109,389	**3,455,552,012**	3,248,868,354
Inter-segment	210,746,349	840,001,315	-	**-**	-
Total	290,269,103	1,862,921,184	2,353,109,389	**3,455,552,012**	3,248,868,354
Cost of sales - excluding inter-segment purchase	(288,838,516)	(1,553,818,306)	(1,365,237,604)	(3,207,894,426)	(3,039,521,258)
Inter-segment purchase	-	(210,746,349)	(840,001,315)	**-**	-
	(288,838,516)	(1,764,564,655)	(2,205,238,919)	**(3,207,894,426)**	(3,039,521,258)
Gross profit	**1,430,587**	**98,356,529**	**147,870,470**	247,657,586	209,347,096
Other income	-	738,559	1,698,970	**2,437,529**	5,255,071
Profit / (loss) on trading	**-**	-	1,604,206	**1,604,206**	(963,418)
Distribution and marketing expenses	-	(14,160,456)	(70,258,453)	**(84,418,909)**	(123,487,557)
Administrative expenses	-	(21,018,402)	(28,292,003)	**(49,310,405)**	(54,106,018)
Other operating expenses	-	(320,693)	(737,716)	**(1,058,409)**	(183,155)
Finance cost	(1,430,587)	(79,505,212)	(27,269,107)	**(108,204,906)**	(106,332,770)
Profit / (loss) before tax	**-**	**(15,909,675)**	**24,616,367**	8,706,692	(70,470,751)
Taxation - current				**(23,644,390)**	(4,926,502)
Taxation - deferred				**(3,180,262)**	55,422,328
Loss after taxation				**(18,117,960)**	(19,974,925)

41.3 SEGMENT ASSETS AND LIABILITIES

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Ginning	Spinning	Weaving	2016	2015
Segment assets:	Rupees	Rupees	Rupees	**Rupees**	Rupees
Operating property, plant and equipment	-	1,218,250,136	1,361,839,466	**2,580,089,602**	2,607,728,322
Unallocated operating assets	-	-	-	**-**	58,111,016
Intangible assets	-	360,000	360,000	**720,000**	960,000
Long term deposits				**39,284,610**	39,284,610
Total operating assets				**2,620,094,212**	2,706,083,948
Stores, spare parts and loose tools	-	19,260,908	24,063,808	**43,324,716**	46,412,656
Stock-in-trade	-	329,339,515	319,972,611	**649,312,126**	540,956,157
Trade debts	13,907,840	33,421,262	131,726,456	**179,055,558**	207,484,177
Other unallocated corporate assets				**182,888,665**	166,502,001
Total assets as per balance sheet				**3,674,675,277**	3,667,438,939
Segment liabilities	-	25,660,548	24,978,246	**50,638,794**	83,509,043
Unallocated corporate liabilities				**1,707,714,546**	1,628,723,898
Total liabilities as per balance sheet				**1,758,353,340**	1,712,232,941

41.4 REVENUE FROM MAJOR PRODUCTS AND SERVICES

	2016	2015
Fabric export sales	**700,086,373**	1,280,142,540
Yarn export sales	**631,027,929**	747,773,032
Waste export sale	**-**	4,445,218
Fabric local sales	**1,621,154,205**	879,657,105
Yarn local sales	**340,192,423**	194,890,800
Waste local sales	**72,424,084**	61,190,596
Cotton seed local sales	**78,790,453**	73,736,400
Revenue from manufacturing	**3,443,675,467**	3,241,835,691
Revenue from processing	**11,876,545**	7,032,663
	3,455,552,012	3,248,868,354
Revenue from trading	**2,663,016**	1,694,000
Total sale	**3,458,215,028**	3,250,562,354

41.5 REVENUE FROM MAJOR CUSTOMERS

Revenue from top thirty (30) customers of the Company in each segment is as follows:

	2016	2015
Spinning	**757,757,425**	954,804,427
Weaving	**1,453,182,002**	1,631,753,086

Revenue from one (2015: two) of the customers of the Company exceeded 13% (2015: 7%) of the Company's total revenue and amounted to Rs. 472.356 million (2015: Rs. 469.711 million).

42. GEOGRAPHICAL INFORMATION

The Company's gross revenue from external customers by geographical location is detailed below:

	2016	2015
Pakistan	**2,127,000,417**	1,218,201,564
America	**66,809,967**	86,041,739
Asia	**835,475,552**	1,377,911,724
Europe	**428,929,092**	568,407,327
	3,458,215,028	3,250,562,354

All non-current assets of the Company are located and operating in Pakistan.

43. NUMBER OF EMPLOYEES

Permanent employees of the Company as at June 30, 2016 were 581 (2015: 652) and average number of employees during the year were 626 (2015: 648).

44. CAPACITY AND PRODUCTION

		2016	2015
Cotton			
Number of sawgins installed		**10**	10
Total production capacity of sawgins installed (4 months)	***No. of bales***	**20,000**	20,000
Actual production of cotton lint	***No. of bales***	**8,752**	10,870
Yarn			
Number of spindles installed		**24,984**	24,984
Installed capacity after conversion into 20's count (1,098 shifts (2015: 1095 shifts))	**Kgs**	**8,950,750**	8,770,710
Actual production of yarn after conversion into 20's count	**Kgs**	**8,476,135**	7,075,248
Fabric			
Number of looms installed		**163**	150
Number of looms worked		**163**	150
Installed capacity after conversion into 60 picks	**Sq. mtrs**	**49,999,694**	46,011,988
Actual production of fabric after conversion into 60 picks	**Sq. mtrs**	**43,162,755**	37,663,659

It is difficult to describe precisely the production capacity in Ginning, Spinning and Weaving Mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed twist, the width and construction of fabric woven etc. It also varies according to the pattern of production adopted in a particular year. Underutilization of capacities is due to electricity shut down, availability of raw material and normal repair & maintenance.

45. RECLASSIFICATION

Comparative figures in these financial statements have been reclassified where necessary for the purpose of comparison. However, no material re-arrangements have been made in these financial statements.

46. DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 05, 2016 by the Board of Directors of the Company.

47. GENERAL

Figures have been rounded-off to the nearest Pakistani Rupee except stated otherwise.

Sd/-	Sd/-	Sd/-
Mian Muhammad Pervez	Muhammad Haris	Abdul Sattar
Chief Executive Officer	Director	Chief Financial Officer

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number **0020650**
2. Name of Company **Ahmad Hassan Textile Mills Limited**
3. Pattern of holding the shares held by shareholders as at **30.06.2016**

ORDINARY SHARES

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
129	1 -	100	6,913	0.05
427	101 -	500	195,978	1.36
106	501 -	1000	70,235	0.49
46	1001 -	5000	90,054	0.63
4	5001 -	10000	22,261	0.15
6	10001 -	15000	67,430	0.47
1	60001 -	65000	64,000	0.44
1	65001 -	70000	70,000	0.49
1	70001 -	75000	71,400	0.50
1	80001 -	85000	83,593	0.58
2	150001 -	155000	300,431	2.09
1	175001 -	180000	177,131	1.23
1	210001 -	215000	214,400	1.49
1	275001 -	280000	276,513	1.92
3	430001 -	435000	1,296,000	8.99
2	445001 -	450000	900,000	6.25
1	475001 -	480000	476,500	3.31
2	500001 -	505000	1,004,485	6.97
1	540001 -	545000	541,879	3.76
1	580001 -	585000	583,577	4.05
3	645001 -	650000	1,942,734	13.48
1	765001 -	770000	766,800	5.32
1	800001 -	805000	804,540	5.58
1	895001 -	900000	895,865	6.22
1	910001 -	915000	913,009	6.34
1	2570001 -	2575000	2,572,520	17.85
745			**14,408,248**	**100.00**

Categories of Shareholders
As at 30-Jun-2016

Code	Category	No Of Share	Shares Held	Per% of Capital
1	Directors/Sponsors	10	7,100,929	49.2838
2	Financial Institutions	3	5,013	0.0348
5	Joint Stock Companies	7	1,333	0.0093
10	Individual	721	6,301,238	43.7335
11	NIT & ICP	1	200	0.0014
14	Mutual Fund	1	913,009	6.3367
15	Pension Fund	1	83,593	0.5802
17	Benevolent Fund	1	2,933	0.0204
	Grand Total:	**745**	**14,408,248**	**100.0000**

Categories Detail

As At :30-Jun-2016

Catagory Name

Sr No.	Folio/(Par ID-A/C No.)	Name	CNIC/Passport No.	Shares Held	% Total Capital
Benevolent Fund				**2,933**	**0.0204**
1	CDC-97 (03277-82127)	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST		2,933	0.0204
Directors/Sponsors				**7,100,929**	**49.2838**
2	3	MIAN MOHAMMAD JAVED ANWAR		71,400	0.4955
3	5	SALMA JAVED		804,540	5.5839
4	7	MIAN MOHAMMAD PARVEZ		766,800	5.3220
5	9	MUHAMMAD HARIS	322-92-025008	276,513	1.9191
6	10	MOHAMMAD AURENGZEB		647,578	4.4945
7	33	MOHAMMAD JAHANZEB		647,578	4.4945
8	CDC-112 (03525-54113)	MUHAMMAD HARIS	36302-0324913-9	2,572,520	17.8545
9	CDC-116 (03525-76212)	MIAN MUHAMMAD JAVED	36302-0305999-5	450,000	3.1232
10	CDC-117 (03525-76229)	MUHAMMAD AURANGZEB	36302-3584411-1	432,000	2.9983
11	CDC-118 (03525-79159)	MUHAMMAD JAHANZEB	36302-8910522-5	432,000	2.9983
Financial Institutions				**5,013**	**0.0348**
12	6196	NATIONAL BANK OF PAKISTAN		500	0.0035
13	7019	NATIONAL BANK OF PAKISTAN		4,000	0.0278
14	CDC-128 (03889-28)	NATIONAL BANK OF PAKISTAN		513	0.0036
Individual				**6,301,238**	**43.7335**
Joint Stock Companies				**1,333**	**0.0093**
736	6897	ADAM LUBRICATS LIMITED.		500	0.0035
737	CDC-21 (01669-26)	SHAFFI SECURITIES (PVT) LIMITED		25	0.0002
738	CDC-23 (01917-41)	PRUDENTIAL SECURITIES LIMITED		50	0.0003
739	CDC-125 (03525-87235)	MAPLE LEAF CAPITAL LIMITED		1	0.0000
740	CDC-127 (03657-25)	CONTINENTAL CAPITAL MANAGEMENT (PVT) LTD		50	0.0003
741	CDC-129 (03939-12463)	CAPITAL VISION SECURITIES PVT LIMITED		75	0.0005
742	CDC-159 (04564-25)	S.Z. SECURITIES (PRIVATE) LIMITED		632	0.0044
Mutual Fund				**913,009**	**6.3367**
743	CDC-229 (14902-21)	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST		913,009	6.3367
NIT & ICP				**200**	**0.0014**
744	7106	INVESTMENT CORP. OF PAKISTAN		200	0.0014
Pension Fund				**83,593**	**0.5802**
745	CDC-93 (03277-78335)	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND		83,593	0.5802
		Grand Total:		**14,408,248**	**100.0000**

FORM OF PROXY

I, ...

....

of ....

being a member of AHMAD HASSAN TEXTILE MILLS LIMITED, hereby appoint ....

of ....

as my proxy in my absence to attend and vote for me and on my behalf at the (Ordinary or / an Extraordinary as the case may be) General Meeting of the Company to be held on the .... and at any adjournment thereof

As witness my hand this

day of ....

Signed by the said

Five Rupees Revenue Stamp

IMPORTANT

This form of proxy, duly completed, must be deposited at the Company's Registered office at 46-Hassan Parwana Colony, Multan not less than 48 hours before the time for holding the meeting (Article 76).