

**HAJI MOHAMMAD ISMAIL MILLS  
LIMITED**

**ANNUAL ACCOUNTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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**HAJI MOHAMMAD ISMAIL MILLS LIMITED**

**COMPANY INFORMATION**

Board of Directors	Mr. Noman Mustafa Zubairi - Chief Executive Mr. Najeeb Mushtaq Vohra- Chairman Non Executive Mr. Mohammad Sarfraz - Executive Director Mr. Gulzar Siddiq - Independent Mr. Mohammad Sadiq- Non Executive Mr. Mohammad Irfan - Non Executive Mr. Farrukh Shafiq - Non Executive Mr. Amer Zaheer - Non Executive
Audit Committee	Mr. Gulzar Siddiq - Chairman Mr. Mohammad Irfan Mr. Farrukh Shafiq
Human Resource & Remuneration Committee.	Mr. Muhammad Sarfraz Mr. Muhammad Sadiq Mr. Farrukh Shafiq
Chief Financial Officer	Mr. Suhail Ahmed
Company Secretary	Mr. Muhammad Sarfraz
Auditors	Naveed Zafar Ashfaq Jaffery & Co Chartered Accountants 1 <sup>st</sup> floor, Modern House Beaumont Road Karachi.
Legal Advisor	Farooq Rashid & Co., Advocates & Corporate Consultants, 403-Commerce Centre, Hasrat Mohani Road, Karachi-74200
Bankers	Habib Bank Limited Askari Bank Limited National Bank of Pakistan
Share Registrar and Transfer Office	Najeeb Consultants (Pvt) Ltd 408-Commerce Centre, Hasrat Mohani Road, Karachi-74200
Registered office	409-Commerce Centre, Hasrat Mohani Road, Karachi-74200
Phone No.:	92-21-32638521-3
Fax No.:	92-21-32639843
E-mail:	<a href="mailto:info@hmiml.com">info@hmiml.com</a>
Website	<a href="http://www.hmiml.com">www.hmiml.com</a>

Business:	Cotton yarn manufacturer and Electric Power Generation
Status of Company	Public listed company ( SSC)
Company Registration No.	K-0007483
National Tax No.	0231147-0
Contact person:	Mr. Muhammad Sarfraz Phone: 92-21-32638521-3 E-mail: sarfrazinfo @ hotmail.com

### **VISION STATEMENT**

The management is committed to revive the company by introducing new business dimensions. The primary vision is to re-establish the company in local and international market with new products.

### **MISSION STATEMENT**

The company has taken a mission to introduce new products, improve quality, profitability and meet its financial commitments. improve the remuneration of its employees and give a fair return to its shareholders while complying with the best practices of Corporate Governance.

**HAJI MOHAMMAD ISMAIL MILLS LTD**  
**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 36th Annual General meeting of the shareholders will be held at 409 Commerce Centre, Hasrat Mohani Road, Karachi on Saturday the 29th October, 2016 at 9.00 a.m. to transact the following business.

1. To confirm the minutes of the last EOGM held on 23rd September, 2016
2. To receive, consider and adopt the report of Directors, Auditors and the audited accounts of the company for the year ended June 30,2016
3. To appoint the auditors for the year ending 30<sup>th</sup> June, 2017 and fix their remuneration. The retiring auditors M/s. Naveed Zafar Ashfaq Jaffery & Co. Chartered Accountants being eligible, offers themselves for reappointment.
4. To consider any other business with the permission of the Chair.

By order of the Board  
Company Secretary

Karachi: October 07, 2016

Notes:

1. The share transfer books of the company will remain closed from 22nd October 2016 to 29th October 2016 (both days inclusive)
2. A member entitled to attend and vote at this meeting may appoint to a member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received by the company at the registered office not less than 48 hours before the meeting.
3. Any individual, beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her original NIC or Passport, Account No and participant's I.D number, to prove his/her identity, and in case of proxy must enclose an attested copy of his/her NIC or Passport.
4. In case of corporate entity, the board of directors' resolution power of attorney with specimen signature of nominee proxy shall be required.
5. Shareholders are requested to notify any change in their address immediately and send copy of their CNIC.

**HAJI MOHAMMAD ISMAIL MILLS LIMITED  
DIRECTORS' REPORT TO THE SHARE HOLDERS**

On behalf of the board of Directors of Haji Mohammad Ismail Mills Limited, we have pleasure in submitting company's 36th annual report to the members alongwith audited accounts for the year ended June 30, 2016

**AN OVERVIEW**

Over all condition of the textile industry is not good due to electric and gas load shedding. Reduction in cotton production, unhealthy government policies, Worldwide policies against the country. Higher inflation in the country is another major cause of crises. Cost of production is increasing day by day due to higher inflation. Lack of technology up gradation is another factor to produce quality yarn and compete in international market. All these issues need government attention to develop reforms to face various challenges of textile industry.

**MATERIAL CHANGES**

Looking the above issues, board of director has decided to change the business dimensions of the company from existing to fast moving consumer goods. Management is changing the object clauses of the company and planning to get involve in distribution business itself or through merger, corporate restructuring or through prosperous investors for revival of the company. We are also negotiating with financial institutions for financing of our proposed business plan.

**OPERATING RESULTS**

The financial results have been as follows:		2016	2015
Sales	Rs.	--	--
Profit/(Loss) before taxation	Rs.	(1,602,752)	5,663,058

**FINANCE COST**

Finance cost is very meager as company has no borrowed funds.

**TAXATION**

Income tax Assessments are all upto date

**EARNING PER SHARE**

The loss per share for the year is Rs (1.5)



## CURRENT AND FUTURE OUTLOOK

Cotton prices in the country are not stable due to cotton crop failure. Textile industry is in crises due to inflation, power shortage, social disruption, mark up rates and adverse government policies. The board is focusing on other business dimensions and is in the process of corporate restructuring. Efforts are being made for addition of new object clauses in the Memorandum of Association of the company. Management called EOGM of members on 23<sup>rd</sup> Sept.2016 and got approval of the members. Negotiation with banks and prosperous investors for future business plan are in process. After change in object clauses management will be able to execute its future business plan conveniently and advantageously for the revival of the company.

## DIVIDEND

Due to shortage of funds, the directors have not recommended any dividend.

## OUTSTANDING STATUTORY PAYMENT

There are no overdue statutory payments.

## CHANGES IN THE BOARD OF DIRECTORS

There is no change in the board of directors during the year except the appointment of New Chief Executive of the Company.

## MEETING OF BOARD OF DIRECTORS

Five board meetings were held during the year and each director attended the following number of meetings.

<u>Name of Directors</u>	<u>No. of meetings</u>
Mr. Najeeb Mushtaq Vohra	4
Mr. Muhammad Sarfraz	5
Mr. Mohammad Irfan	5
Mr. Muhammad Sadiq	4
Mr. Gulzar Siddiq	3
Mr. Farrukh Shafiq	4
Mr. Amer Zaheer	1
Mr. Noman Mustafa Zuberi-CEO	1

Leave of absence was granted to the directors who could not attend few of the meetings.

## TRADING IN COMPANY SHARES:

During the year under review there was no trading of the company's share by the Directors, Chief Financial Officer, Company Secretary and Head of Internal Audit, their spouses and minor children except the following

Name	No. of Shares	Sale purchase
Mr. Najeeb Mushtaq Vohra	1,253,530	Sold
Mr. Noman Mustafa Zuberi	1,149,708	Purchased

## RELATED PARTIES

It is the policy of the management to ensure that all transaction entered with related parties must be at arm's length basis. Relevant rates are to be determined as per the comparable un-controlled price method

## ENVIRONMENT, HEALTH, SAFETY AND SOCIAL ACTIONS

The company provides and maintains, so far as reasonably practicable social action plan, working conditions which are safe and without risk to the health of all employees and public.

## PATTERN OF SHARE HOLDING IS ANNEXED TO THIS REPORT

## KEY OPERATING AND FINANCIAL RESULTS FROM 2011 TO 2016 ARE ANNEXED TO THIS REPORT

## AUDITORS

The present auditors of the company M/s. Naveed Zafar Ashtaq Jaffery & Co., Chartered Accountants retires and being eligible, they offer themselves for reappointment as auditors for the year ending June 30, 2017.

## CORPORATE GOVERNANCE

We are pleased to inform you that the company has taken necessary steps to comply with the provisions of the Code of Corporate Governance as incorporated in the regulations of Stock Exchanges.

## STATEMENT OF DIRECTORS RESPONSIBILITIES UNDER THE CODE OF CORPORATE GOVERNANCE

The board of directors has pleasure in affirming that the Company has taken necessary steps to comply with the provisions of the Code of Corporate Governance as incorporated in the listing regulations of the Stock Exchanges. Statement of Compliance with the Code of Corporate Governance is attached. The Company complies with the Code in the following manner.

- a) The financial statements, prepared in the management of the Company, present fairly its state of affairs, the results of its operations, assets, liabilities and financial position.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) The financial position of the company is improving steadily. The directors are explaining other business investment opportunities. Business operations have not changed. Negotiations with banks and investors are continuing to finalise business plan. There are no significant doubts upon the company's ability to continue as a going concern.
- g) There has been no significant deviation from last year in operating results of the company.
- h) We have prepared and circulated a statement of ethics and business strategy for directors and employees for their acknowledgement, understanding and acceptance.
- i) The board of directors has adopted a mission statement and a statement of the corporate strategy.
- j) As required by the Code of Corporate Governance, we have included the following information in this report:

- Statement of pattern of shareholding
- Statement of shares held by associated undertaking and related parties
- Statement of the board meetings held during the year and attendance of directors
- key operating and financial statistics for the last six years

## BOARD'S PERFORMANCE EVALUATION

The board performance is evaluated through HR&RC Committee on the established mechanism of self-assessment by the individual board members. The board evaluation assessment covers specific areas of board performance, board composition, Board & CEO Remuneration, strategic planning and board interaction.

#### DIRECTORS TRAINING PROGRAMME:

Company has two directors on its board those are exempt from Directors training programme. The board arranged in house orientation programs for its directors during the year.

#### AUDIT COMMITTEE

The Board, in compliance to the Code of Corporate Governance, has formed an Audit Committee. Four meetings of the committee were held during the year. Following directors are its members. All meeting were attended by them

- |                       |   |          |
|-----------------------|---|----------|
| 1. Mr. Gulzar Siddiq  | - | Chairman |
| 2. Mr. Mohammad Irfan | - | Member   |
| 3. Mr. Farrukh Shafiq | - | Member   |

The term of reference of the Audit Committee are based on the scope as defined by the Securities and Exchange Commission of Pakistan (SECP) in CCG 2012 and the guidelines given by the board of directors from time to time to improve the system and procedures.

#### HUMAN RESOURCE COMMITTEE

Human resource and remuneration committee of the company is working as required by the code of corporate governance.

#### STATEMENT OF ETHICS AND BEST BUSINESS PRACTICES

The Board has prepared the statement of ethics and best business practices which has been circulated to all the directors and employees for their acknowledgement, understanding and acceptance.

#### RELATIONSHIP WITH SHARE HOLDERS

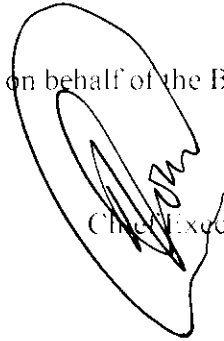
The company reports formally to the shareholders four times a year all its financial results alongwith directors review on the operations and future outlook of the company. All the interim and final reports are sent to Pakistan Stock Exchange Ltd and at the registered addresses of the shareholders. The financial results are also available on company's web site "www.hmml.com"

In addition to the above, company sends its annual report and formal notification for holding Annual General Meeting at least 21 days in advance to facilitate the shareholders to participate in the meeting

ACKNOWLEDGEMENTS

The Board acknowledges the hard work and efforts of the staff and hopes that this will continue in the forthcoming years. The Board also acknowledges ongoing support from its bankers.

For and on behalf of the Board



Chief Executive

Karachi: October 06, 2016

# HAJI MOHAMMAD ISMAIL MILLS LIMITED

## STATEMENT OF ETHICS AND BUSINESS PRACTICES

As approved by the Board of Directors, the entire Management of Haji Mohammad Ismail Mills Limited is hereby advised to follow the under mentioned principles for excellent performance in the attempt to achieve the objectives of the company.

### AS DIRECTOR

- a. Commit to all the necessary and appropriate resources.
- b. Foster a conducive environment through responsive policies.
- c. Maintain organizational effectiveness for the achievement of targets.
- d. Encourage and support compliance of legal and industrial requirements.
- e. Protect the interest of the company and employees.
- f. Avoid making any personal gain at the cost of the company.

### AS EXECUTIVE AND MANAGER

- g. Protect the interest of the company and management.
- h. Ensure increase in productivity and profitability of the company.
- i. Provide the direction and leadership to the organization.
- j. Ensure total customer satisfaction through quality product and services.
- k. Promote a culture of excellence, devotion and continual improvement.
- l. Cultivate work ethics and harmony among colleagues and associates.
- m. Encourage initiatives and self-realization of responsibilities in juniors.
- n. Ensure an equitable way of working and reward system.

### AS EMPLOYEE AND STAFF

- o. Devotion to your job.
- p. Abide by company's policies and regulations.
- q. Promote and protect the interest of the company.
- r. Exercise prudence and honesty in using company's resources.
- s. Observe cost effective practices in daily activities.
- t. Avoid making any personal gain at the cost of the company.

### BRIBERY

- u. The payment of bribes, kickbacks in cash or kind to obtain business or otherwise for the company is strictly prohibited.

### FINANCIAL INTEGRITY

- v. Compliance with accepted accounting rules and procedure is required at all times.
- w. All information supplied to all concerns must be complete and not misleading.
- x. The company will not knowingly assist fraudulent activities. If you have any reason to believe that fraudulent activities are taking place within the company or outside where we do business, you must inform the management immediately.

**HAJI MOHAMMAD ISMAIL MILLS LIMITED**  
**KEY OPERATING & FINANCIAL RESULTS**  
 FOR THE YEARS 2011-2016

OPERATING DATA	2016	2015	2014	2013	2012	2011
Sales	-	-	-	1,58,467	22,655,143	2,12,68,838
Cost of goods sold	-	-	-	2,072,641	28,36,833	2,12,68,838
Gross profit (loss)	-	-	-	(1,085,773)	(5,381,690)	804,493
Operating Profit (loss)	(1,602,752)	5,663,058	2,108,856	(37,855,432)	(4,820,186)	4,028,670
Profit (loss) before Taxation	(1,602,752)	5,663,058	2,108,856	(38,809,071)	(5,600,521)	(388,878)
Profit (loss) after Taxation	(1,767,129)	5,043,521	1,522,572	(38,809,071)	(5,600,521)	(1,296,993)
<b>FINANCIAL DATA</b>						
Paid up capital	119,750,400	119,750,400	119,750,400	119,750,400	119,750,400	119,750,400
Equity balance	48,935,397	50,342,399	46,336,470	43,987,492	68,844,015	34,077,580
Fixed assets	-	-	-	-	212,828,023	2,12,68,838
Current assets	50,287,102	51,813,400	53,664,717	52,376,020	58,090,463	40,504,035
Current liabilities	1,368,323	1,551,171	7,378,247	8,999,465	103,768,906	38,199,302
<b>KEY RATIOS</b>						
Gross margin	-	-	-	(68.41)	(23.75)	2.88
Operating Margin	-	-	-	(2,385.09)	(21.28)	19.43
Net Profit /Loss	(114.22)	70.45	25.93	(2,115.18)	(21.72)	(1.15)
Return on capital employed	(3.61)	10.02	3.29	(88.23)	8.10	3.10
Current ratio	0.03	0.03	0.14	0.17	0.79	1.28
Earning per share (Rs.)	(0.15)	0.42	0.13	(3.24)	(0.47)	(0.12)
Cash dividend	-	-	-	-	-	-
<b>STATISTICS</b>						
Number of rotors	-	-	-	-	2,232	2,232
Production into 10's	-	-	-	-	-	-
Count (in Kg's)	-	-	-	-	-	-

## Haji Mohammad Ismail Mills Limited

409 Commerce Centre, Hasrat Mohani Road, Karachi, Pakistan  
Tel: 32638521-3 Fax: 32639843 E-mail: info@hijm.com

Appendix B

### Statement of Compliance with the Code of Corporate Governance [See clause (XI)]

Name of Company: HAJI MOHAMMAD ISMAIL MILLS LIMITED

Year Ending: 30th June, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in clause No.5.19 of Chapter 5 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 and directors representing minority interests on its board of directors. As at 30<sup>th</sup> June, 2016, the board was constituted as follows:

Category	Names
Independent Directors	Mr. Gulzar Siddiq
Executive Directors	Mr. Noman Mustafa Zuberi Mr. Muhammad Sarfraz
Non-Executive Directors	Mr. Najeeb Mushtaq Vohra Mr. Muhammad Sadiq Mr. Muhammad Irfan Mr. Amer Zaheer Mr. Farukh Shafiq

The independent director meets the criteria of independence under clause 5.19.1(b) of the CCG

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All 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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy of CEO was occurred on 7<sup>th</sup> June, 2016 and was filled on the same date during the year under report.



5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the CEO as the company is operating without the Chairman, and in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board arranged in house orientation programs for its directors during the year. The company has on its board one director and CEO who is exempt from training. The directors are qualified, experienced and trained. The board is initiating training programme for its directors.
10. No new appointment of CFO, Company Secretary, except the Head of Internal Audit has been made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three members of whom two are non-executive directors and Chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an Executive director.
18. The board has set up an effective internal audit function with suitable qualified and experienced personal who are involved in the internal audit of the company
19. The statutory auditors of the company have confirmed that at the time of their appointment they had a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with 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(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s)
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 applicable material principles contained in the CCG have been complied with.



NOMAN MUSTAFA ZUBERI  
Chief Executive

Karachi: October 6, 2016

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the code") prepared by the Board of Directors of **Haji Mohammad Ismail Mills Limited** ("the Company") for the year ended June 30, 2016 to comply with the requirements of Listing Regulation No. 35 chapter XI of Pakistan Stock Exchange limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance 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.

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.

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 under taken at arm's length price or not.

Based on our review, except for the following non-compliance, 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.

NZJ

Further, we highlight below an instance of non-compliance with the requirement of the Code as reflected in the note/paragraph reference where this is stated in the Statement of Compliance:

- i. As disclosed in point 8 of the statement, the Chairman of the BOD of the listed company has not been elected and all the BOD meetings held during the year were presided by the Chief Executive Officer of the Company.

NZJ

Karachi

Date: \_\_\_\_\_

Naveed Zafar Ashfaq Jaffery & Co.  
Naveed Zafar Ashfaq Jaffery & Co.  
Chartered Accountants

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Haji Mohammad Ismail 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 above said statements. We believe that our audit provides a reasonable basis for our opinion, we report that:

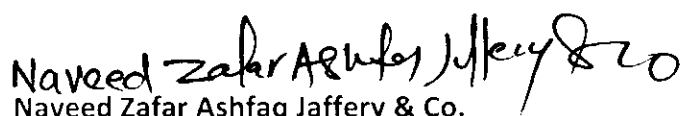
1. The financial statements of the Company have been prepared on going concern basis, despite of the facts that the Company has closed down its yarn manufacturing operation in October, 2007 and production activities remained suspended. The electric power generation and its sale were also suspended in August, 2012. The management has disposed off the assets of the Company including land, building, plant & machinery to pay off its major debts during the year ended June 30, 2015 as disclosed in note 1.2 of notes to the financial statements. Furthermore, the Company has not prepared any detailed business plan including profit or cash flow projection for an appropriate period subsequent to the reporting date. The foregoing conditions indicate material uncertainty which cast a significant doubt on the Company's ability to continue as a going concern.

The significance of matters discussed in the preceding paragraph, lead us believe that the going concern assumption used in preparation of the financial statements of the Company is inappropriate: consequently the assets and liabilities should have been stated at their realizable and settlement amount respectively.

*NZJ*

- 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;
  - iv. due to significance of the matter referred to in paragraph (I) above, in our opinion and to the best of our information and according to the explanations given to us, the financial statements together with the notes have not been prepared in all material respect as at June 30, 2016 and of its profit, comprehensive income, its cash flow and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and do not give the information required by the Companies Ordinance, 1984.
  - v. no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

N23

  
Naveed Zafar Ashfaq Jaffery & Co.  
Chartered Accountants  
Engagement Partner: Ahsan Elahi Vohra - FCA

Karachi  
Dated:

HAJI MOHAMMAD ISMAIL MILLS LIMITED  
BALANCE SHEET  
AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Long term deposits		50,000	50,000
Deffered tax	5		30,170
<b>CURRENT ASSETS</b>			
Investment-available for sale	6	15,069,888	41,046,200
Advances tax - net of provision	7	1,575,719	1,549,239
Trade deposits	8	200,000	200,000
Other receivables	9	9,959,501	8,311,968
Cash and bank balances	10	23,481,994	709,993
		50,287,102	51,813,400
<b>TOTAL ASSETS</b>		<b>50,337,102</b>	<b>51,893,570</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised Capital</b>			
12,000,000 (2015: 12,000,000) ordinary shares of Rs. 10 each		<u>120,000,000</u>	<u>120,000,000</u>
Issued, subscribed and paid up capital	11	119,750,400	119,750,400
Reserves		(70,815,003)	(69,408,001)
		48,935,397	50,342,399
<b>LONG TERM LIABILITIES</b>			
Deferred Tax	5	33,382	
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	1,368,323	1,551,171
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>50,337,102</b>	<b>51,893,570</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		N29

The annexed notes from 1 to 26 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

HAJI MOHAMMAD ISMAIL MILLS LIMITED

Profit and Loss Account

For the Year Ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>Operating expenses</b>			
Administrative expenses	14	(2,890,232)	(1,494,227)
Other expenses	15	(257,310)	
<b>Operating loss</b>		(3,147,542)	(1,494,227)
Other income	16	1,547,098	7,159,007
		(1,600,444)	5,664,780
Finance cost	17	(2,308)	(1,722)
<b>(Loss)/ Profit before taxation</b>		(1,602,752)	5,663,058
Taxation	18	(164,377)	(6,9537)
<b>(Loss)/ Profit after taxation</b>		(1,767,129)	5,043,521
<b>(Loss)/ Earnings per share - basic and diluted</b>	19	<b>(0.15)</b>	0.42

The annexed notes from 1 to 26 form an integral part of these financial statements.

N20

  
CHIEF EXECUTIVE

  
DIRECTOR



HAJI MOHAMMAD ISMAIL MILLS LIMITED  
Statement of Comprehensive Income  
For the Year Ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>(Loss)/ Profit after taxation</b>		(1,767,129)	5,043,521
<b>Items that may be reclassified subsequently to profit and loss</b>			
(Loss) / gain on re-measurement on investments available for sale to fair value - net of tax		360,127	(1,037,592)
<b>Total comprehensive (loss)/ income for the year</b>		<u><u>(1,407,002)</u></u>	<u><u>4,005,929</u></u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**Haji Mohammad Ismail Mills Limited**  
**CASH FLOW STATEMENT**  
**For the Year Ended June 30, 2016**

Note	2016 Rupees	2015 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/ Profit before taxation	(1,602,752)	5,663,058
<b>Adjustments for:</b>		
Finance cost	2,308	1,722
Fair value adjustment of investment	360,127	(1,037,592)
	362,435	(1,035,870)
(Loss)/ Profit before working capital changes	<u>(1,240,317)</u>	4,627,188
<b>(Increase)/ decrease in current assets:</b>		
Short term investment - net	25,976,312	6,074,067
Other receivables	(1,647,533)	(3,929,116)
	<b>24,328,779</b>	2,144,951
<b>Decrease in current liabilities:</b>		
Trade creditors, accrued and other liabilities	(182,848)	(148,911)
<b>Cash generated from operations</b>	<u>22,905,614</u>	6,623,228
Taxes paid	(127,305)	(872,310)
Finance cost paid	(2,308)	(1,722)
	(129,613)	(874,032)
<b>Net cash generated from operating activities</b>	<u>22,776,001</u>	5,749,196
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Short term loan	-	(5,678,165)
<b>Net cash used in financing activities</b>	-	(5,678,165)
<b>Net increase in cash and cash equivalents</b>	<u>22,776,001</u>	71,031
Cash and cash equivalents at beginning of the year	705,993	634,962
<b>Cash and cash equivalents at end of the year</b>	<u>23,481,994</u>	<u>705,993</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

N23

  
**CHIEF EXECUTIVE**

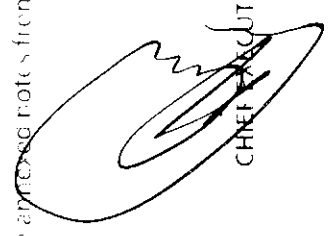
  
**DIRECTOR**

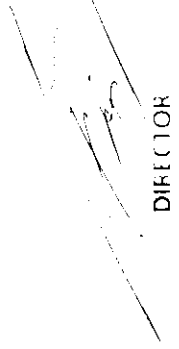
**HAJI MOHAMMAD ISMAIL MILLS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the Year Ended June 30, 2016**

	Issued, subscribed and paid-up capital	Reserves				Total
		Capital		Revenue		
		Share premium	Fair value reserve	Accumulated loss	Sub total	
<b>Balance as at July 01, 2014</b>	119,750,400	6,912,000	826,406	(81,152,336)	(73,413,930)	46,336,470
Profit for the year	-	-	-	5,043,521	5,043,521	5,043,521
Other comprehensive income for the year - net of tax	-	-	(1,037,592)	-	(1,037,592)	(1,037,592)
Total Comprehensive income for the year	-	-	(1,037,592)	5,043,521	4,005,929	4,005,929
<b>Balance as at June 30, 2015</b>	119,750,400	6,912,000	(211,186)	(76,108,815)	(69,408,001)	50,342,399
Profit for the year	-	-	-	(1,767,129)	(1,767,129)	(1,767,129)
Other comprehensive loss for the year - net of tax	-	-	360,127	-	360,127	360,127
Total Comprehensive loss for the year	-	-	360,127	(1,767,129)	(1,407,002)	(1,407,002)
<b>Balance as at June 30, 2016</b>	<b>119,750,400</b>	<b>6,912,000</b>	<b>148,941</b>	<b>(77,875,944)</b>	<b>(70,815,003)</b>	<b>48,935,397</b>

N2/2

The attached notes from 1 to 26 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**HAJI MOHAMMAD ISMAIL MILLS LIMITED**  
**NOTES TO THE THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**1 THE COMPANY AND ITS OPERATIONS**

**1.1** The Company was incorporated in Pakistan as a Private Limited Company on February 5, 1980 and subsequently converted to public limited company on October 15, 1987. Shares of the company were subsequently listed on the Pakistan Stock Exchange on November 29, 1994. The registered address of the company is situated at 406-Commerce Centre, Hasrat Mohani Road, Karachi 74200.

**1.2** The Company has closed down its yarn manufacturing operation in October, 2007 and production activities remained suspended. The electric power generation and its sale were also suspended in August, 2012. The management has disposed off the assets of the Company including land, building, plant & machinery to pay off its major debts during the year ended June 30, 2015. The management of the company has decided to change the business dimensions of the company from existing to fast moving goods. The management has prepared new business plan. The new business objects were not specified in the Memorandum of Association of the company. Management was feeling hurdles in implementing its new business plan.

Management is planning to get involve in distribution business itself or through merger, corporate restructuring or through prosperous investors for revival of the company as sufficient funds are required to implement new business plan. The management is also negotiating with financial institutions for financing of the proposed business plan. In view of the new business dimensions of the company shall remain as a going concern company.

Subsequent to the year ended June 30, 2016 management has added new object clauses in Memorandum of Association and approved by members in EOGM on 23rd September 2016.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**2.2 Standards ammendments and interpretations**

**a) Standards, ammendments or interpretations which became effective during the year:**

There were certain new standards, ammendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) during the year but are not considered to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

**b) Standards, ammendments or interpretations not yet effective**

**The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:**

- Amendments to IAS 38 Intangible Assets and IAS 16 - 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - 'Investments in Associates and Joint Ventures') (effective for annual periods beginning on or after 01 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 01 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 01 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants (Amendment to IAS 16 and IAS 41 (effective for annual periods beginning on or after 01 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 - 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 01 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on

Company's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 01 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendment is likely to result in additional disclosure in Company's financial statements.
- Amendments to IFRS 2 - 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas: (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

**Annual Improvements 2012-2014 cycles (amendments effective for annual period beginning on or after 01 July 2016). The new cycle of improvements contain amendments to the following standards.**

- IFRS 5 - 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 - 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 - 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

The above improvements to standards are not likely to have material / significant impact on Company's financial statements.

### **3 BASIS OF MEASUREMENT**

- 3.1** These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

**3.2** The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

**Provision for taxation**

The company takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its view on its tax of material nature is in accordance with law, the amounts are shown as contingent liabilities.

**Staff retirement benefits - gratuity**

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

**Financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

**Property, plant and equipment**

The company reviews recoverable amount, useful life, residual value and possible impairment on an annual basis. Any changes, if material in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Staff retirement benefit**

**Defined benefit plan**

The company operates as unfunded gratuity scheme covering for all its permanent employees who have attained the minimum qualifying period for entitlement to the gratuity.

Provision is made annually to cover the obligation on the basis of actuarial valuation and charged to income. The most recent actuarial valuation was carried on June 30, 2013 using the Projected Unit Credit Method.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting exceeds 10 percent of the present value of defined benefit obligation at that date

## **4.2 Taxation**

### **Current**

Provision for current taxation is made on the taxable income, if any, after taking into account tax credit and tax rebate available.

### **Deferred**

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The carrying amount of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

## **4.3 Trade and other payables**

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

## **4.4 Provisions**

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

## **4.5 Property, plant and equipment**

### **Owned assets**

Property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and impairment loss, if any except freehold land which is stated at revalued amount. Depreciation is calculated on straight line method to write-off the cost or revalued amount of assets, less their residual values, over their expected useful lives. Remaining useful lives of significant assets and their residual values are reviewed periodically and changes in estimates arising from such review is accounted for in current and future years.

Depreciation on additions during the year is charged on pro-rata basis when the asset is acquired or capitalized. Similarly the depreciation was charged on additions and no depreciation was charged on deletion during the period.

In the year of revaluation depreciation is charged after the date of valuation until the year end. Gain or Loss on disposal of property, plant and equipments are included in operating income. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.



## **Assets subject to finance lease**

Assets held under finance leases are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. Aggregate amount of related obligations under the lease less financial charges allocated to future payments are shown as liability. The financial charges are allocated to accounting period in a manner to provide constant periodic rate of charge on the outstanding liability. Assets acquired under finance lease are depreciated apply straight-line method on a basis similar to owned assets. Depreciation of leased assets is charged to income currently.

### **4.6 Impairment**

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

### **4.7 Capital Work-in-progress**

Capital work-in-progress (CWIP) is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are ready for their intended use.

### **4.8 Investment**

The management determines the appropriate classification of its investment in accordance with the requirements of International Accounting Standard (IAS 39) Financial Instrument: Recognition and measurement at the time of the purchase and classifies these investments as fair value through profit or loss account, held to maturity or available for sale.

#### **(a) Financial assets at fair value through profit or loss account**

Investments that are acquired principally for the purpose of generating profit from short term fluctuation in prices are classified as "fair value through profit or loss account". These investments are initially recognised at cost and transaction cost associated with the investment are taken directly to profit and loss account. Subsequent to initial measurement, investments at fair value through profit or loss are marked to market, using the closing market rates at the end of each day and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these investments, based on the quoted market rates ruling at the day-end, are taken to profit and loss account.

#### **(b) Held to maturity**

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intent and ability to hold to maturity.

**(c) Available for sale**

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as "available for sale". These investments are initially recognized at cost which includes transaction cost which includes transaction costs associated with the investment. Subsequent to initial measurement, "available for sale" investments are revalued and are remeasured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to shareholder's equity.

All purchases and sales of investments that required delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognized at trade date which is the date that the company commits to purchase or sale the asset. All other purchases and sales are recognized as derivative forward transactions until settlement occurs.

Investments are derecognized when the right to received cash flows from the investments have expired, have been realized or transferred and the company has transferred substantially all risk and rewards of ownership.

Impairment of investments is recognised when there is a permanent diminution in their value.

**4.9 Stores, spares and loose tools**

These are valued at cost or net realizable value whichever is less. Cost is determined by moving average method. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred.

**4.10 Stock in trade**

Stock in trade are valued at lower of average cost and net realizable value applying the following basis.

**Raw material**

At average cost except those in transit which are stated at actual cost

**Work in process and finished goods**

Cost of direct material and a proportion of manufacturing overhead based on normal capacity

**Waste**

At net realizable value

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

**4.11 Foreign currencies**

Transactions in foreign currency are recorded in Rupees at rates of exchange prevailing at the date of transaction. All monetary assets and liabilities in foreign currency are re-translated at exchange rate prevailing on the balance sheet date. All exchange differences are accounted for in income currently.

**4.12 Cash and cash equivalents**

Cash and cash equivalents comprises of cash in hand and bank balances.

#### **4.13 Financial instruments**

Financial instruments carried at the balance sheet date include trade debts, loans and advances, trade deposits, other receivables, cash and bank balances, long term financing, short term borrowings, trade and other payables and interest/mark-up on loans. Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and derecognized when the company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified into the contract is discharged, cancelled or expired.

#### **4.14 Off setting of financial assets and financial liabilities**

A financial asset and a financial liability is off set and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **4.15 Trade debts**

Trade Debts are carried at original invoice less an estimate made for doubtful debts based on a review of all out standing amounts at the year end. Bad debts are written off when identified.

#### **4.16 Borrowings**

Financing and borrowings are recorded at the proceeds received. Finance cost are accounted for on accrual basis.

#### **4.17 Trade and other payables**

These are recognised using the trade date accounting and are measured at cost which is the fair value of the consideration to be paid for the goods and services in future.

#### **4.18 Borrowing cost**

Borrowing costs directly attributable to acquisition and construction of qualifying assets are capitalized up to the date of commencement of commercial production. All other borrowing costs are charged to the income.

#### **4.19 Related party transactions and transfer pricing**

Transactions and contracts with related parties are carried out at an arm's length price determined accordance with the comparable uncontrolled price method.

#### **4.20 Revenue recognition**

Export sales are accounted for on shipment basis and exchange difference, if any on account of export proceeds are adjusted in the period realization. Local sales are recognised on dispatch of goods to the customer. Dividend is recognized as income when the right to receive dividend is established. Interest on deposits is recognized on time proportion basis by reference to the principal outstanding and the applicable rate of return.

#### **4.21 Dividend**

The dividend distribution to the shareholders is recognised as a liability in the period in which it is approved by the shareholders.

**5 DEFERRED TAX**

This represents deferred tax liability/asset on unrealized gain/loss on revaluation of equity investments available for sale.

	Note	2016 Rupees	2015 Rupees
<b>6 INVESTMENT - AVAILABLE FOR SALE</b>		<b>15,069,888</b>	<b>41,046,200</b>

2016	2015	No of shares / certificates	Name of the investee company	2016		2015	
				Market value		Cost	
				Rupees	Rupees	Rupees	Rupees
	46,400		Pakistan petroleum limited	121,654		121,654	
	10,000		Century paper and board mills limited	369,700		369,700	
	309,000		Faisal bank limited	487,746		487,746	
	20,000		Oil and gas development company limited	34,311		34,311	
12,300			Crescent steel Allied Products Limited	1,439,703		1,439,703	
16,000			Ghansara Nissan Limited	2,486,400		2,486,400	
14,500			Hisco Bank Limited	2,000,000		2,000,000	
500			HILVOPAK Motors Limited	4,000,000		4,000,000	
17,500			Mendowala Mauser Plastics Ind Ltd	1,100,000		1,100,000	
25,000			Nisnat Mills Limited	2,000,000		2,000,000	
135,000			Pakistan international bulk terminals limited	3,360,000		3,360,000	
50,000			Su Southern Gas Company Limited	2,000,000		2,000,000	
5,000	6,000		Energy traders limited	1,000,000		1,000,000	
	11,500		Allied Bank Ltd	2,000,000		2,000,000	
	500		Engro power padroun limited	1,000,000		1,000,000	
	9,000		Gazosmiths Pakistan limited	1,759,000		1,759,000	
	50,000		Hum network limited	3,400,000		3,400,000	
	25,000		K- Electric Ltd	2,000,000		2,000,000	
	100,000		Arandeon limited	3,343,000		3,343,000	
	100,000		Descor Chemicals limited	555,000		555,000	
	20,000		Fauji Fertilizer Bun Qasim limited	1,200,000		1,200,000	
	5,000		Fauji Fertilizer Company limited	1,000,000		1,000,000	
	20,000		Harjeel Huwala limited	1,000,000		1,000,000	
	3,900		Mahat Tractor limited	1,000,000		1,000,000	
	10,000		National Bank of Pakistan	550,000		550,000	
	33,000		Nisnat (Chunian) Limited	1,000,000		1,000,000	
	116,000		Nisnat (Chunian) Limited	1,000,000		1,000,000	
	54,500		PIC Growth Fund	1,486,000		1,486,000	
	101,000		Su Northern Gas Pipelines limited	1,000,000		1,000,000	
	500		Synthetic Products Enterprises limited	1,000,000		1,000,000	
	10,000		United Bank limited	1,000,000		1,000,000	
<b>245,800</b>	<b>1,051,500</b>			<b>15,069,888</b>	<b>41,046,200</b>	<b>14,687,565</b>	<b>41,287,536</b>
			Add: Less Adjustment arising from re-measurement to Fair value	Note: 6.1		167,321	24,000
<b>245,800</b>	<b>1,051,500</b>			<b>15,069,888</b>	<b>41,046,200</b>	<b>14,854,886</b>	<b>41,311,536</b>

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	Note	2016 Rupees	2015 Rupees
<b>6.1 Unrealized gain on revaluation of available for sale of investments</b>			
Balance as of 01 July		(241,356)	826,406
Unrealized appreciation in the value of investments		680,989	4,246,887
Loss/ (Gain) recognised in the income statement on sale		257,310	(5,314,649)
Balance as of 30 June		<u>182,323</u>	<u>(241,356)</u>
<b>7 ADVANCE TAX - net of provision</b>			
Opening		1,549,239	1,326,636
Paid during the year		190,857	1,067,775
Provision for the year		(164,377)	(625,153)
Closing		<u>1,575,719</u>	<u>1,549,239</u>
<b>8 TRADE DEPOSITS</b>			
Bank guarantee margin		<u>200,000</u>	<u>200,000</u>
<b>9 OTHER RECEIVABLES</b>			
Sales tax		642,103	642,103
Other receivable		9,317,398	7,669,865
		<u>9,959,501</u>	<u>8,311,968</u>
<b>10 CASH AND BANK BALANCES</b>			
Cash at bank		23,477,190	187,586
Cash in hand		4,803	6,184,111
		<u>23,481,994</u>	<u>6,871,697</u>
<b>11 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
9,576,240 (2015: 9,576,240) Ordinary shares of Rs. 10 each allotted for consideration paid in cash		95,762,400	95,762,400
2,398,800 (2015: 2,398,800) Ordinary shares of Rs. 10 each issued as bonus share		23,988,000	23,988,000
		<u>119,750,400</u>	<u>119,750,400</u>
<b>11.1</b> 4,353,276 (2015: 4,353,276) Ordinary share held by associate company.			
<b>11.2</b> The Company has one class of ordinary shares which carry no rights to fixed income			

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	Note	2016 Rupees	2015 Rupees
<b>12 TRADE AND OTHER PAYABLES</b>			
Creditors			1,380,496
Accrued expenses		1,368,323	170,675
		<u>1,368,323</u>	<u>1,551,171</u>

**13 CONTINGENCIES AND COMMITMENTS**

**Contingencies**

Letter of guarantee issued		<u>200,000</u>	<u>200,000</u>
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**Commitments**

There are no commitments as at June 30, 2016 (2015: Nil).

	Note	2016 Rupees	2015 Rupees
<b>14 ADMINISTRATIVE EXPENSES</b>			
Salaries, benefits and allowances		1,679,971	448,255
Remuneration to executive	14.1	850,427	730,994
Printing and stationery		36,310	25,375
Communication expenses		62,506	74,459
Auditors remuneration	14.2	78,000	78,000
Fees, subscription and periodicals		183,018	137,144
		<u>2,890,232</u>	<u>1,494,227</u>

**14.1 Remuneration To Executives and Directors**

	2016	2016	2015	2015
	----- Rupees -----			
	<u>Executives</u>	<u>Directors</u>	<u>Executives</u>	<u>Directors</u>
Remuneration	850,427	-	730,994	-
Number of Persons	1	-	1	-

Chief executive and directors have waived their remuneration and meeting fees.

	Note	2016 Rupees	2015 Rupees
<b>14.2 Auditors Remuneration</b>			
Half yearly review fee		13,000	13,000
Statutory audit fee		65,000	65,000
		<u>78,000</u>	<u>78,000</u>
<b>15 OTHER EXPENSES</b>			
Capital loss on sales of shares		257,310	-
		<u>257,310</u>	<u>-</u>

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	Note	2016 Rupees	2015 Rupees
<b>16 OTHER INCOME</b>			
Profit on PLS Account		216,898	140,455
Capital gain on sales of shares			5,314,049
Dividend income		1,330,200	1,703,903
		<u>1,547,098</u>	<u>7,159,007</u>
<b>17 FINANCE COST</b>			
Bank charges and commission		<u>2,308</u>	<u>1,722</u>
<b>18 TAXATION</b>			
Current		(164,377)	(825,153)
Prior Year			205,616
		<u>(164,377)</u>	<u>(619,537)</u>
<b>19 EARNINGS PER SHARE-BASIC AND DILUTED</b>			
(Loss)/ Profit after taxation for the year in rupees		<u>(1,767,129)</u>	<u>5,043,521</u>
Weighted average number of shares outstanding during the year		<u>11,975,040</u>	<u>11,975,040</u>
(Loss)/ Earnings per share in rupees		<u>(0.15)</u>	<u>0.42</u>

## 20 FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

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

- 20.1 Credit risk
- 20.2 Liquidity risk
- 20.3 Market risk

The board of directors has overall responsibility for the establishment and oversight of company's risk management framework. The board is also responsible for developing and monitoring the company's risk management policies.

### 20.1 Credit risk

#### 20.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and cash and bank balances. Out of total financial assets of Rs. 48.711 million (June 30, 2015 : Rs. 50.264 million), financial assets which are subject to credit risk aggregate to Rs. 33.049 million (June 30, 2015 : Rs. 8.626 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

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	Note	2016 Rupees	2015 Rupees
Long term deposit		50,000	50,000
Trade Deposits		200,000	200,000
Other receivables		9,317,398	7,669,865
Cash and bank balances		23,481,994	705,993
		<b>33,049,392</b>	<b>8,625,858</b>

## 20.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

		2016					
		Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	One to five years	More than five years
		----- Rupees -----					
Non - derivative Financial liabilities							
Trade and other payables		1,368,323	1,368,323				
		<b>1,368,323</b>	<b>1,368,323</b>				
		2015					
		Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	One to five years	More than five years
		----- Rupees -----					
Non - derivative Financial liabilities							
Trade and other payables		1,551,171		180,175			1,370,996
		<b>1,551,171</b>		<b>180,175</b>			<b>1,370,996</b>

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## 20.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market.

### 20.3.1 Interest rate risk

There is no interest bearing security as at June 30, 2016

#### Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

#### Cash flow sensitivity analysis for variable rate instruments

The company does not account for any variable rate financial assets and liabilities. Therefore, a change in interest rates at the reporting date would not affect cashflow

## 20.4 Fair value of financial assets and liabilities

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

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurement and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Adoption of IFRS 13 has not affected the financial statements.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- |          |   |
|----------|---|
| Level 1: | Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.   |
| Level 2: | Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). |
| Level 3: | Fair value measurements using inputs for the assets or liability that are not based on observable market data (i.e. unobservable inputs)  |

