

**HAJI MOHAMMAD ISMAIL MILLS LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**JUNE 30, 2015**



**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 prepared by the Board of Directors of **Haji Mohammad Ismail Mills Limited** ("the Company"), to comply with the Listing Regulations of the Karachi Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange Limited requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in the arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the note 9 and 18 of 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 of Corporate Governance as applicable to the Company for the year ended June 30, 2015.

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Further, we highlight below instance(s) of non-compliance with the requirement(s) of the Code as reflected in the note/paragraph reference where these are stated in the Statement of Compliance:

i. As disclosed in point 9 of the statement, none of the directors have obtained certification under directors training program and Board did not arranged orientation courses for its directors during the financial year to apprise them of their duties and responsibilities as required under clause (xi) of the code

ii. As disclosed in point 18 of the statement, the qualification of Head of Internal Audit is not as per the requirement of clause (xiv) of the code.

*N207/-*

Karachi

Date: 05 OCT 2013

*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, 2015 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. No further business activities have been carried out by the company. 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.

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- 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, 2015 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.

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*Naveed Zafar Ashfaq Jaffery & Co*

**Naveed Zafar Ashfaq Jaffery & Co.**

Chartered Accountants

Engagement Partner: **Ahsan Elahi Vohra - FCA**

Karachi

Dated: 10 5 OCT 2015

## HAJI MOHAMMAD ISMAIL MILLS IMITED 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 35th annual report to the members alongwith audited accounts for the year ended June 30, 2015.

### AN OVERVIEW

Over all condition of the textile industry is not good due to load shedding of electric and gas and deteriorating law and order situation. 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 products and compete in international market. All these issues need government attention to develop reforms to face various challenges of the industry.

### MATERIAL CHANGES

Alhamdulillah we have settled entire outstanding liabilities of financial institutions and creditors. Financial position of the company is slightly improving. We are in the process of negotiation with financial institution for financing of our proposed power plant. No positive response is being received due to inadequate funds and security for the project.

### OPERATING RESULTS

The financial results have been as follows:

		2015	2014
Sales	Rs.		
Profit before taxation	Rs.	5,663,058	2,108,856

### 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 earning per share for the year is Rs. 0.42

## CURRENT AND FUTURE OUTLOOK

Cotton prices in the country are not stable. Textile industry is in crises due to inflation, power shortage, social disruption, mark up rates and rupee devaluation. The management is focusing to set up a small power plant. Board is also looking other investment opportunities with small capital in hand. Negotiation with banks for future business plan could not concluded due to shortage of capital and inadequate security.

## 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.

## MEETING OF BOARD OF DIRECTORS

Four 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	4
Mr. Mohammad Irfan	3
Mr. Muhammad Sadiq	4
Mr. Gulzar Siddiq	2
Mr. Farrukh Shafiq	3
Mr. Amer Zaheer	2

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

## 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.

During the year under review there was no trading of the company's share by the Chief Executive, Directors, Chief Financial Officer and Company Secretary, their spouses and minor children.

## KEY OPERATING AND FINANCIAL RESULTS FROM 2010 TO 2015 ARE ANNEXED TO THIS REPORT

### AUDITORS

The present auditors of the company M/s. Naveed Zafar Ashfaq Jaffery & Co., Chartered Accountants retires and being eligible, they offer themselves for reappointment as auditors for the year ending June 30, 2016.

### 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 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 listing regulations of the Stock Exchanges. Statement of Compliance with the Code of Corporate Governance is annexed. The Company complies with the Code in the following manner.

- a) 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.
- 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 slightly. The company is exploring other business/investment opportunities. Negotiations with banks are continue for future business plan. There are no significant doubts upon the Company's ability to continue as a going concern.

- g) There has been significant deviation from last year in operating results of the company.
- h) We have prepared and circulated a statement of ethics and business strategy among directors and employees for their acknowledgement, understanding and acceptance.
- i) The board of directors has adopted vision & mission statement and a statement of overall 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 by each director
  - key operating and financial statistics for last six years

#### 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 The Karachi Stock Exchange and at the registered addresses of the shareholders. The financial results are also available on company's web site "www.hmiml.com"

In addition to the above, company sends its annual report and formal notification for holding Annual General Meeting at least 21days 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 02, 2015

**HAJI MOHAMMAD ISMAIL MILLS LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2015**

	Note	2015 Rupees	2014 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	41,046,200	47,120,267
Advances tax - net of provision		1,549,239	1,326,636
Trade deposits and short term prepayments	7	200,000	200,000
Other receivables	8	8,311,968	4,382,852
Cash and bank balances	9	705,993	634,962
		51,813,400	53,664,717
<b>TOTAL ASSETS</b>		<b>51,893,570</b>	<b>53,714,717</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised Capital</b>			
12,000,000 (2014: 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	10	119,750,400	119,750,400
Reserves		(69,408,001)	(73,413,930)
		50,342,399	46,336,470
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	1,551,171	1,700,082
Current portion of long term loans	12	-	5,678,165
		1,551,171	7,378,247
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>51,893,570</b>	<b>53,714,717</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		N/A

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, 2015**

	Note	2015 Rupees	2014 Rupees
<b>Operating expenses</b>			
Administrative expenses	14	(1,494,227)	(1,673,073)
Other expenses	15	-	(1,570,533)
<b>Operating loss</b>		(1,494,227)	(3,243,606)
Other income	16	7,159,007	5,871,483
		<u>5,664,780</u>	<u>2,627,877</u>
Finance cost	17	(1,722)	(519,021)
<b>Profit before taxation</b>		5,663,058	2,108,856
<b>Taxation</b>	18	(619,537)	(586,284)
<b>Profit after taxation</b>		<u>5,043,521</u>	<u>1,522,572</u>
Earnings per share - basic and diluted	19	<u>0.42</u>	<u>0.13</u>

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

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**CHIEF EXECUTIVE**

  
**DIRECTOR**

**HAJI MOHAMMAD ISMAIL MILLS LIMITED**  
**Statement of Comprehensive Income**  
**For the Year Ended June 30, 2015**

	Note	2015 Rupees	2014 Rupees
Profit after taxation		5,043,521	1,522,572
<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		(1,037,592)	826,406
<b>Total comprehensive income for the year</b>		<u><u>4,005,929</u></u>	<u><u>2,348,978</u></u>

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

  
CHIEF EXECUTIVE

  
DIRECTOR

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**HAJI MOHAMMAD ISMAIL MILLS LIMITED**  
**CASH FLOW STATEMENT**  
**For the Year Ended June 30, 2015**

Note	2015 Rupees	2014 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	5,663,058	2,108,856
<b>Adjustments for:</b>		
Finance cost	1,722	519,021
Provision for doubtful debt	-	198,409
Long term deposit write off	-	560,931
Fair value adjustment of investment	(1,037,592)	826,406
	(1,035,870)	2,104,767
Profit before working capital changes	<b>4,627,188</b>	4,213,623
<b>(Increase)/decrease in current assets:</b>		
Short term investment - net	6,074,067	(46,932,067)
Trade debts	-	5,000,000
Trade deposits and short term prepayments	-	5,700,000
Other receivables	(3,929,116)	(108,456)
	<b>2,144,951</b>	(36,340,523)
<b>Increase / (decrease) in current liabilities:</b>		
Trade creditors, accrued and other liabilities	(148,911)	(2,137,395)
<b>Cash generated from / (used in) operations</b>	<b>6,623,228</b>	(34,264,295)
<b>Payments for:</b>		
Taxes paid	(872,310)	(588,922)
Finance cost paid	(1,722)	(2,842)
	(874,032)	(591,764)
<b>Net cash generated from / (used in) operating activities</b>	<b>5,749,196</b>	(34,856,059)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Short term loan	(5,678,165)	-
<b>Net cash (used in) financing activities</b>	<b>(5,678,165)</b>	-
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>71,031</b>	(34,856,059)
Cash and cash equivalents at beginning of the year	634,962	35,491,021
Cash and cash equivalents at end of the year	<b>705,993</b>	634,962

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

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**CHIEF EXECUTIVE**

  
**DIRECTOR**

**HAJI MOHAMMAD ISMAIL MILLS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the Year Ended June 30, 2015**

	Issued, subscribed and paid-up capital	Capital		Fair value reserve	Reserves		Sub total	Total
		Share premium			Accumulated loss	Revenue		
<b>Balance as at July 01, 2013</b>	119,750,400	6,912,000	-	(82,674,908)	(75,762,908)	43,987,492		
Profit for the year	-	-	-	1,522,572	1,522,572	1,522,572		
Other comprehensive income for the year	-	-	826,406	-	826,406	826,406		
Total Comprehensive income for the year	-	-	-	-	-	2,348,978		
<b>Balance as at June 30, 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 loss 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		

The annexed 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, 2015**

**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 Karachi Stock Exchange on November 29, 1994.
- 1.2** The company has settled the liabilities of the banks and creditors amicably. Since the sales of entire fixed assets and settlement of liabilities, the management is looking to set up a small spinning unit or power plant. Due to inadequate security for finance, banks are reluctant for further financial assistance. Management is facing difficulties to implement its future business plan. Management is, therefore, looking other business opportunities with available funds in hand.

**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 amendments and interpretations**

**a) 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 did not have any material effect on the financial statements of the Company.

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

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 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 amendments have no impact on Company's financial statements as the Company has the policy of depreciating / amortizing its property, plant and equipment and intangible assets based on the assessed useful lives.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 is not likely to have any impact on the financial statements of the Company.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. IFRS 11 is not likely to have any impact on the financial statements of the Company.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015). The adoption of this standard is not like to have an impact on Company's financial statements.

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- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015). The adoption of this standard is not like to have an impact on Company's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). These amendments have no impact on the financial statements of the Company.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. These amendments are not likely to have any implication on the Company's Financial Statements.
- IFRS 7 'Financial Instruments- Disclosures'. These amendments are not likely to have any implication on the Company's Financial Statements.
- IAS 19 'Employee Benefits'. These amendments are not likely to have any implication on the Company's Financial Statements.
- IAS 34 'Interim Financial Reporting'. These amendments are not likely to have any implication on the 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:

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### **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 items 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.

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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

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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 recognised at trade date, which is the date that the company commits to purchase or sale the asset. All other purchases and sales are recognised 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 values.

#### **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.

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#### **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 account 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.

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#### **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 in 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. Profit 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.

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	Note	2015 Rupees	2014 Rupees
<b>7</b>	<b>TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>		
	Bank guarantee margin	200,000	200,000
		<u>200,000</u>	<u>200,000</u>
<b>8</b>	<b>OTHER RECEIVABLES</b>		
	Sales tax	642,103	642,103
	Other receivable	7,669,865	3,740,749
		<u>8,311,968</u>	<u>4,382,852</u>
<b>9</b>	<b>CASH AND BANK BALANCES</b>		
	Cash at bank	187,590	216,559
	Cash in hand	518,403	418,403
		<u>705,993</u>	<u>634,962</u>
<b>10</b>	<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
	9,576,240 (2014: 9,576,240) Ordinary shares of Rs. 10 each allotted for consideration paid in cash	95,762,400	95,762,400
	2,398,800 (2014: 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>10.1</b>	4,353,276 (2014: 4,353,276) Ordinary share held by associate company.		
<b>10.2</b>	The Company has one class of ordinary shares which carry no rights to fixed income.		
<b>11</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors	1,380,496	1,551,051
	Accrued expenses	170,675	149,031
		<u>1,551,171</u>	<u>1,700,082</u>
<b>12</b>	<b>CURRENT PORTION OF LONG TERM FINANCING</b>		
	Banking companies	12.1	5,678,165
			<u>5,678,165</u>
<b>12.1</b>	<b>Other Banking Companies</b>		
	Opening balance IDBP	5,678,165	4,153,833
	Transfer adjustment	-	1,524,332
	Paid during the period	(5,678,165)	-
		<u>-</u>	<u>5,678,165</u>

Dispute with IDBP has been settled amicably outside the court. The company has paid the agreed settled amount in lump sum during the year to the said bank.

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	Note	2015 Rupees	2014 Rupees
<b>13 CONTINGENCIES AND COMMITMENTS</b>			
<b>Contingencies</b>			
Letter of guarantee issued		<u>200,000</u>	<u>200,000</u>
<b>Commitments</b>			
There are no commitments as at June 30, 2015 (2014: Nil).			

**14 ADMINISTRATIVE EXPENSES**

Salaries, benefits and allowances		448,255	425,251
Remuneration to executive	14.1	730,994	594,000
Printing and stationery		25,375	36,750
Communication expenses		74,459	74,928
Auditors remuneration	14.2	78,000	78,000
Provision for doubtful debt		-	198,409
Fees, subscription and periodicals		137,144	256,735
Computer expenses		-	9,000
		<u>1,494,227</u>	<u>1,673,073</u>

**14.1 Remuneration To Executives and Directors**

	2015	2015	2014	2014
	----- Rupees -----			
	<u>Executives</u>	<u>Directors</u>	<u>Executives</u>	<u>Directors</u>
Meeting fee	-	-	-	-
Remuneration	730,994	-	594,000	-
Number of Persons	1	-	1	-

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

	Note	2015 Rupees	2014 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>

**15 OTHER EXPENSES**

Long term deposit write off		-	560,931
Insurance claim not receivable		-	1,009,602
		<u>-</u>	<u>1,570,533</u>

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	Note	2015 Rupees	2014 Rupees
<b>16 OTHER INCOME</b>			
Profit on PLS Account		140,455	1,100,133
Profit on TDR		-	951,672
Capital gain on sales of shares		5,314,649	3,427,678
Dividend income		1,703,903	392,000
		<u>7,159,007</u>	<u>5,871,483</u>
<b>17 FINANCE COST</b>			
Long term loan		-	516,179
Bank charges and commission		1,722	2,842
		<u>1,722</u>	<u>519,021</u>
<b>18 TAXATION</b>			
Current		(825,153)	586,284
Prior Year		205,616	-
		<u>(619,537)</u>	<u>586,284</u>
<b>19 EARNINGS PER SHARE-BASIC AND DILUTED</b>			
Profit after taxation for the year in rupees		<u>5,043,521</u>	<u>1,522,572</u>
Number of ordinary shares		<u>11,975,040</u>	<u>11,975,040</u>
Earnings per share in rupees		<u>0.42</u>	<u>0.13</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. 8.62 million (June 30, 2014 : Rs. 4.62 million), financial assets which are subject to credit risk aggregate to Rs. 8.57 million (June 30, 2014 : Rs. 4.57 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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	2015 Rupees	2014 Rupees
Long term deposit	50,000	50,000
Other financial assets	200,000	200,000
Other receivables	7,669,865	3,740,749
Cash and bank balances	705,993	634,962
	<u>8,625,858</u>	<u>4,625,711</u>

## 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.

		2015					
		Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	One to five years	More than five years
		----- Rupees -----					
<b>Non - derivative Financial liabilities</b>							
Trade and other payables		1,551,171		180,175			1,370,996
		<u>1,551,171</u>	<u>-</u>	<u>180,175</u>	<u>-</u>	<u>-</u>	<u>1,370,996</u>
		2014					
		Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	One to five years	More than five years
		----- Rupees -----					
<b>Non - derivative Financial liabilities</b>							
Trade and other payables		1,700,082	-	319,586	-	-	1,380,496
Short term borrowings		5,678,165	-	-	5,678,165	-	-
		<u>7,378,247</u>	<u>-</u>	<u>319,586</u>	<u>5,678,165</u>	<u>-</u>	<u>1,380,496</u>

20.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at June 30. The rates of mark up have been disclosed in relevant notes to these financial statements.

## 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. The company is exposed to interest rate risk only.

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### 20.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits and deposits in PLS saving accounts with banks. At the balance sheet date the interest rate profile of the company's interest bearing financial instrument is as follows.

	2015 Rupees	2014 Rupees
<b>Fixed rate instruments</b>		
Financial liabilities	-	-
<b>Variable rate instruments</b>		
Financial liabilities	-	5,678,165

#### 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

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2014.

	Profit and loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	----- Rupees -----			
Cash flow sensitivity - variable rate instruments June 2015	-	-	-	-
Cash flow sensitivity - variable rate instruments June 2014	56,782	(56,782)	-	-

### 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.

	2015 Rupees	2014 Rupees
<b>20.5 Off balance sheet items</b>		
<b>Contingencies</b>		
Letter of guarantee issued	200,000	200,000
<b>Commitments</b>		
There is no commitments as on balance sheet date	-	-

20.6 The effective rate of interest / mark up for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

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## 21 CAPITAL RISK MANAGEMENT

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total capital employed. Borrowings represent long term financing, long term loan from directors and others and short term borrowings. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

	2015 Rupees	2014 Rupees
Borrowings	-	5,678,165
Total equity	50,342,399	46,336,470
Total capital employed	<u>50,342,399</u>	<u>52,014,635</u>
Gearing ratio (%)	-	10.92

## 22 PLANT CAPACITY AND PRODUCTION

Since the company has sold out its plant therefore no analysis has been given.

	2015 Rupees	2014 Rupees
Total number of rotors installed	-	-
Total number of rotors worked	-	-
Number of shifts per day	-	-
Installed capacity after conversion into 10/s count (Kgs.)	-	-
Actual production of yarn after conversion into 10/s counts (Kgs.)	-	-

## 23 POST BALANCE SHEET EVENT

There are no significant post balance sheet events.

## 24 ACCOUNTING ESTIMATES AND JUDGMENTS

### 24.1 Income taxes

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 items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Furthermore, the company may be able to avail the benefit of the payment of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilized.

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**24.2 Property, plant and equipment**

The company reviews the value of the assets for possible impairment on an annual basis. Any changes 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.

**25 GENERAL**

**25.1 Number of persons employed**

The number of employees of the Company as at June 30, 2015 were 2 (2014: 2).

**25.2** Figures have been rounded off to the nearest Rupees.

**25.3** Certain prior year comparatives have been reclassified to conform to the current's years presentation.

**26 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on October 2, 2015 by the board of directors of the Company.

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CHIEF EXECUTIVE

  
DIRECTOR

## HAJI MOHAMMAD ISMAIL MILLS LIMITED

### PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS AS AT 30TH JUNE, 2015

No. of Shareholders		Share Holding		Shares Held
62	1	To	100	1,211
24	101	To	500	12,000
71	501	To	1,000	49,903
61	1,001	To	5,000	175,774
19	5,001	To	10,000	158,504
11	10,001	To	15,000	134,500
5	15,001	To	20,000	91,320
7	20,001	To	25,000	166,500
4	25,001	To	30,000	113,285
1	30,001	To	35,000	31,500
1	35,001	To	40,000	38,000
2	40,001	To	45,000	90,000
2	45,001	To	50,000	95,000
1	50,001	To	55,000	51,000
-	55,001	To	60,000	-
-	60,001	To	65,000	-
-	65,001	To	70,000	-
2	70,001	To	75,000	147,235
1	75,001	To	80,000	80,000
-	80,001	To	85,000	-
-	85,001	To	90,000	-
-	90,001	To	95,000	-
1	95,001	To	100,000	95,340
-	100,001	To	150,000	-
1	150,001	To	200,000	161,280
2	200,001	To	250,000	421,045
-	250,001	To	300,000	-
-	300,001	To	350,000	-
-	350,001	To	400,000	-
-	400,001	To	450,000	-
-	450,001	To	500,000	-
1	500,001	To	550,000	500,887
2	550,001	To	600,000	1,150,575
-	600,001	To	650,000	-
-	650,001	To	700,000	-
-	750,001	To	800,000	-
-	800,001	To	850,000	-
-	850,001	To	900,000	-
-	900,001	To	950,000	-
-	950,001	To	1,000,000	-
2	1,000,001	To	1,500,000	2,262,255
1	1,500,001	To	2,000,000	1,594,650
-	2,000,001	To	2,500,000	-
-	2,500,001	To	3,000,000	-
-	3,000,001	To	3,500,000	-
-	3,500,001	To	4,000,000	-
1	4,000,001	To	4,500,000	4,353,276
-	4,500,001	To	5,000,000	-
285				11,975,040