HUSSAIN GROUP

Bringing Perfection to Quality

Annual Report 2016

Hussain Mills Limited

بسم الله الرحمن الرحيم

CONTENTS

Company Information

Board of Directors	Muhammad Ismail (Chief Executive) Sheikh Umar Farooq Mr. Hussain Ahmad Fazal Mr. Mushtaq Ahmad Mst. Ghazala Nasreen Mr. Nishat Ahmad Sheikh Mr. Ashar Fazal Mst. Tahira Imtiaz
Chief Financial Officer	Mr. Mushtaq Ahmad
Auditors	Rafqat Hussain & Co. Chartered Accountants
Bankers	Allied Bank Limited Askari Bank Limited Faysal Bank Limited Habib Bank Limited MCB Bank Limited National Bank of Pakistan Pak Oman Investment Co. Limited Soneri Bank Limited The Bank of Khyber
Offices:	
Karachi (Registered Office)	Room No.809, 8th Floor, Saima Trade Tower -B, I.I.Chundrigar Road, Karachi Web Site:www.hussaingroup.com
Multan (Unit-1 & 3)	Fazalabad Vehari Road, Opp. Timber Market, Multan Ph. 92-61-6527238,6528245,6760524 Fax. 92-61-6526487,6526572
Multan (Unit-2)	35-KM Bahawalpur Road, Near Adda Muhammad Pur, Multan Ph.92-61-4250577,4250603 Fax.92-61-4250578
Multan (Unit-4)	Qadir Pur Rawan Bypass, Khanewal Road, Multan
Kabirwala (Unit-5)	17-KM Mauza Kohiwala, Kabirwala, Khanewal Ph.92-65-2450308 Fax.92-65-2450309

DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the 38th Annual Report and audited financial statements, setting out the detailed financial results of the Company for the financial year ended on 30th June, 2016.

Our Performance

The key business results achieved in 2016 are given below to have a quick review of the performance of the Company:

	2016 RUPEES	2015 RUPEES
Sales	10,292,089,593	11,796,521,501
Gross Profit	605,819,862	705,372,816
Operating Profit	182,739,343	203,681,014
Finance Cost	(357,805,650)	(469,944,003)
Profit before Tax	(162,817,619)	(261,313,802)
Profit after Tax	(281,981,046)	(322,927,642)
Earning per Share	(14.99)	(17.44)

The Company achieved sales during the year under review lower by 12.75% compared to the previous year despite the fact the Company produced 4.40% more yarn and 5.07% more fabrics during the under review year as compared to previous year. In itself the financial results are not those which the Company endeavored for but they are encouraging and satisfactory to some extent if compared with the last year. The Company might had registered much better results if the government had taken far reaching measures to alleviate the stumbling blocks that the textile sector had been facing for the last many years.

The year under review was a sequel of the last year in a view that the cluster of external threats the encountered by the textile sector continued this year also. Energy outages, stuck up sales tax refunds, abnormal increase in cotton prices, imposition of high degree of GIDC, increase in wage rate etc., these all slashed the margin of our gross profit. The Company succeeded in cutting down its finance cost by 23.86% for the current year as compared to the previous year.

Operational Review

During the year under review the production of cotton was quite low and fear of scarcity of cotton in the local market galvanized the Company to procure cotton even at higher rates or import. In either case, profitability of the Company plunged. This compelled the Company to maintain inventory levels higher than required, fearing scarcity of cotton in the market which also resulted high borrowings which in line had adverse impact on the bottom line result of the Company.

Future outlook and Strategy

The financial year 2017 would be a challenging one for the Company to register good results which in presence of ongoing irritants as divulged above seem difficult but not impossible. The Government of Pakistan must show resolute attitude to mitigate the grievances of the textile sector. Pakistan is the only country where the impact of duties, taxes and surcharges on export is above 5% against less than 1% leviable to its competitors in the region .Government will have to play its role in ensuring beneficial policies to textile sector. It would have to ensure availability of good quality and quantity of cotton at moderate and consistent pricing. It would have to cut down its taxes to bring the textile sector competitive in the global market. Stability of cotton and yarn prices would comfort the textile sector to make best us of its resources in reaping better results.

Audit of Financial Statements and Reply to Auditor's Qualification

M/s Rafqat Hussain & Co., Chartered Accountants audited the financial statements of the Company and issued audited report in this respect for the financial year ended on June 30, 2016 and the same is annexed to the financial statements and qualified their report on non-provision of further deferred tax liability. The management of your Company decided not to provide any further deferred tax liability as any taxable timing difference is not expected to reverse in foreseeable future as the entire taxation of the Company comprises of deemed and presumptive taxation.

Auditors

The present auditors M/s Rafqat Hussain & Co., Chartered Accountants retire and being eligible offer themselves for reappointment. The board recommends their re-appointment until the conclusion of next annual general meeting. Said chartered accountants have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan.

Expansion Plan

In the backdrop of divesting and closure of many textile units and shifting investment to other countries from Pakistan, any expansion plan seems quite difficult to initiate but the Company is determined to go for any expansion plan if finds the environment conducive enough. In the meantime, normal BMR would remain continue.

Acknowledgment

The relations between the management and its work force remained cordial throughout the year under review. The Company pays gratitude to its executives, managers, technicians and all labor who contributed their efforts & time in running the wheel of the Company round the clock. In this struggle, the role and contribution of its bankers, customers, suppliers, shareholders and government authorities is also appreciable.

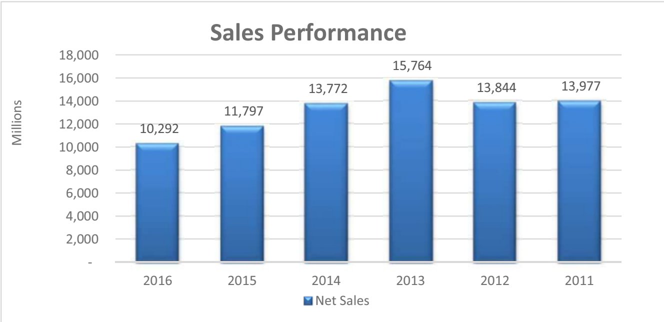
Multan	For and on behalf of the Board
November 03, 2016	Sd/-
	Hussain Ahmad Fazal (Director)

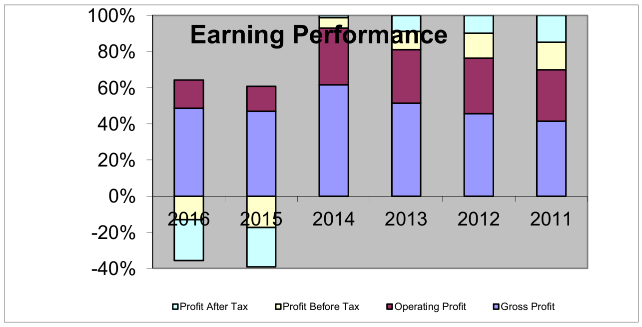
FINANCIAL HIGHLIGHTS

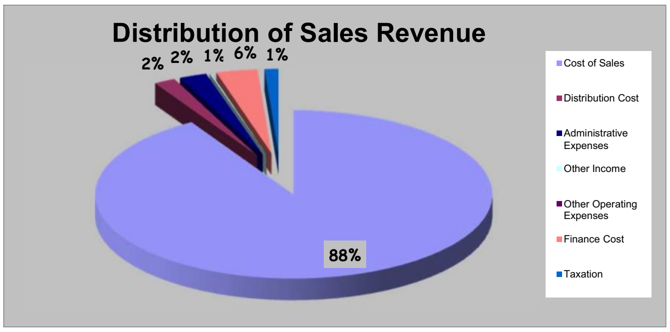
SIX YEAR GROWTH AT GLANCE

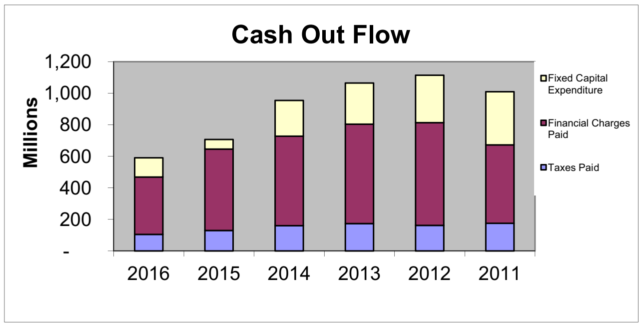
PARTICULARS	YEAR ENDED 30TH JUNE,					
	2016	2015	2014	2013	2012	2011
Profit and Loss						
Net Sales	10,292,089,593	11,796,521,501	13,772,309,581	15,764,216,623	13,843,782,833	13,976,822,318
Gross Profit	605,819,862	705,372,816	1,289,415,796	1,650,242,341	1,735,312,176	1,616,317,418
Operating Profit	194,988,031	208,630,201	658,766,800	948,534,992	1,174,231,678	1,113,581,346
Profit Before Tax	(162,817,619)	(261,313,802)	120,303,272	322,017,632	525,243,892	595,636,837
Profit After Tax	(281,981,046)	(328,103,612)	24,054,370	283,488,860	369,364,416	575,729,030
Cash Out Flows						
Taxes Paid	104,170,434	129,515,571	160,620,527	173,266,147	161,643,265	175,456,298
Financial Charges Paid	365,021,094	516,302,454	567,013,277	630,420,236	650,573,182	495,936,004
Fixed Capital Expenditure	121,186,306	59,936,217	226,300,860	261,396,460	301,827,847	337,536,607
Balance Sheet						
Current Assets	4,808,881,584	4,115,639,961	4,318,677,167	5,749,081,598	5,215,010,339	3,835,328,189
Current Liabilities	5,604,107,209	4,520,509,203	4,532,696,850	5,837,600,775	5,205,456,482	3,924,929,241
Operating Fixed Assets - Owned	5,015,813,035	5,135,651,509	5,314,280,046	5,289,036,660	5,263,190,435	5,394,691,901
Total Assets	10,080,239,282	9,488,290,306	9,889,560,565	11,382,031,097	10,830,022,489	9,434,095,210
Long Term Loans and Finances	471,151,525	676,864,096	720,852,703	840,489,667	1,051,615,026	1,361,139,967
Shareholders' Equity	2,168,064,425	2,407,468,961	2,689,782,379	2,658,208,889	2,329,440,586	1,917,781,078
Financial Ratios						
Current Ratio	0.86	0.91	0.95	0.98	1.00	0.98
Gearing Ratio (%age)	0.72	0.65	0.63	0.69	0.71	0.71
Gross Profit Ratio (%age)	5.89	5.98	9.36	10.47	12.53	11.56
Net (Loss)/Profit Ratio (%age)	(2.69)	(2.74)	0.18	0.02	0.03	0.05
Return on Capital Employed (%age)	(1.50)	(1.74)	0.13	1.51	1.96	3.06
(Loss)/Earning Per Share	(14.99)	(17.44)	1.28	15.07	19.64	30.61
Production Machines						
Spinning Section						
Spindles Installed	92,640	92,640	92,640	93,720	93,720	93,720
Spindles Works	92,640	92,640	92,640	93,720	93,720	93,720
Number of Rotors Installed	-	-	-	-	-	2,000
Number of Rotors Worked	-	-	-	-	-	2,000
No. of Shifts Worked per Day	3	3	3	3	3	3
Installed Capacity at 20/s Count (Kgs.)	33,934,991	33,934,991	33,934,991	34,330,606	34,880,573	31,139,671
Actual Production converted into 20/s Count (Kgs.)	23,417,692	22,431,477	21,500,041	20,996,992	23,276,824	24,539,948
Weaving Section						
Number of Looms Installed	210	210	210	210	210	130
Number of Looms Worked	210	210	210	210	210	130
Number of Shifts Worked per day	3	3	3	3	3	3
Installed Capacity at 50 Picks - Sq. Meter	48,754,207	48,754,207	48,754,207	48,754,207	48,754,207	42,381,432
Actual Production converted into 50 Picks - Sq. Meter	24,686,135	23,494,215	25,131,641	26,616,461	25,912,353	26,295,716

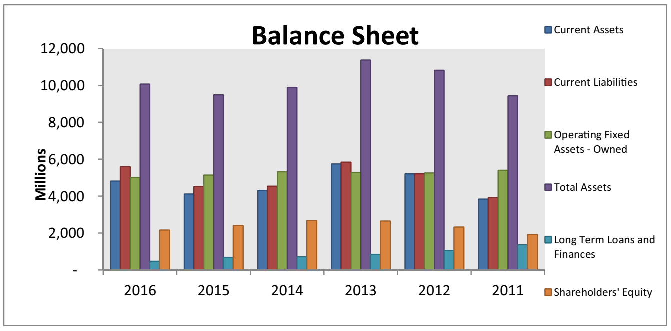
FINANCIAL HIGHLIGHTS

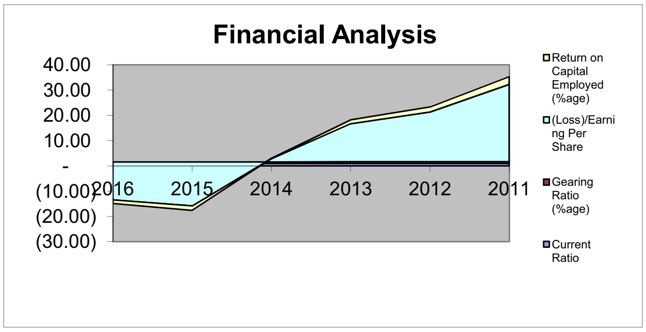


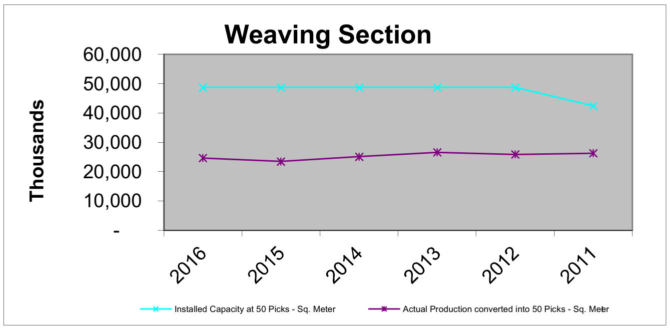


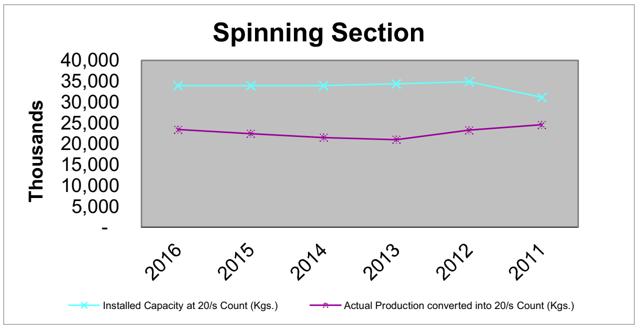












AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **HUSSAIN MILLS LIMITED** as at **30th June, 2016** and the related Profit and Loss Account, 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 the explanations which to the best of our knowledge and belief were necessary for the purpose 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 conduct 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 the Management, as well as, evaluating the overall presentation of the above said Statements. We believe that our audit provides a reasonable basis for our Opinion and, after due verification, we report that:

a) The Company has not recognised deferred tax expense for the year amounting to Rs. 311,923,853/-. Had the aforesaid deferred tax been recognised, the after tax loss for the year and non-current liabilities would have been higher by Rs. 311,923,853/-.

b) in our opinion, except for the matter described in para (a) above, proper Books of Account have been kept by the Company as required by the Companies Ordinance, 1984;

c) in our opinion, except for the matter described in para (a) above;
   - i) the Balance Sheet and the 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 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;

d) in our opinion and to the best of our information and according to the explanations given to us, except for the matter described in para (a) above, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and the Statement of Changes in Equity, together with the Notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30th June, 2016 and of the Profit, its Cash Flows and Changes in Equity for the Year then ended; and

e) In our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion we draw your attention to the fact that the Company is defendant in a lawsuit preferred by the aggrieved share holders, holding 41.28% equity shares in the Company. The pray of aforesaid lawsuit includes the winding up of the Company. Preliminary hearings and case proceeding are in progress. The management of the Company and its legal counsel are confident to defeat the petition being baseless and without merit.

Sd/-
Rafqat Hussain & Co.
Chartered Accountants
Engagement Partner: Kamran Saeed Bhutta, FCA
Place: Lahore
Dated: November 03, 2016

HUSSAIN MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Capital:			
40,000,000 (2015: 40,000,000) Ordinary Shares of Rs. 10/- each		**400,000,000**	400,000,000
Issued, Subscribed and Paid-up Capital	4	**188,102,570**	188,102,570
Capital Reserves		**129,738,223**	129,738,223
Un-appropriated Profit		**1,850,223,632**	2,089,628,168
		2,168,064,425	2,407,468,961
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	5	**1,691,270,092**	1,729,299,420
NON CURRENT LIABILITIES			
Long Term Finances	6	**471,151,525**	676,864,096
Liabilities against Assets subject to Finance Lease	7	**36,612,360**	48,588,365
Deferred Liabilities	8	**109,033,671**	105,560,261
		616,797,556	831,012,722
CURRENT LIABILITIES			
Trade and Other Payables	9	**448,413,702**	545,428,550
Accrued Interest and Mark-up	10	**50,646,438**	57,861,882
Short Term Borrowings	11	**4,885,536,046**	3,661,127,083
Current Portion of Long Term Liabilities	12	**219,511,023**	256,091,688
		5,604,107,209	4,520,509,203
CONTINGENCIES AND COMMITMENTS	13	**-**	-
		10,080,239,282	9,488,290,306
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	14	**5,177,737,834**	5,287,669,981
Long Term Investments	15	**12,096,594**	12,206,154
Long Term Loans and Advances	16	**22,784,000**	28,115,200
Long Term Deposits and Prepayments	17	**58,739,270**	44,659,010
		5,271,357,698	5,372,650,345
CURRENT ASSETS			
Stores, Spares and Loose Tools	18	**413,450,381**	350,124,117
Stock in Trade	19	**2,898,437,416**	2,220,531,978
Trade Debts	20	**761,057,268**	846,564,195
Loans and Advances	21	**89,724,663**	120,698,709
Trade Deposits and Short Term Pre-payments	22	**1,992,833**	1,027,406
Interest Accrued	23	**182,268**	227,506
Other Receivables	24	**118,639,374**	152,308,634
Short Term Investments	25	**831,530**	1,207,750
Tax Refunds Due from Government Departments	26	**140,627,616**	155,620,609
Cash and Bank Balances	27	**383,938,235**	267,329,056
		4,808,881,584	4,115,639,961
		10,080,239,282	9,488,290,306

The annexed Notes from 1 to 43 form an integral part of these Financial Statements

Sd/-	Sd/-
CHIEF EXECUTIVE	**DIRECTOR**

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

	Note	**2016 Rupees**	2015 Rupees
SALES	28	**10,292,089,593**	11,796,521,501
COST OF SALES	29	**(9,686,269,731)**	(11,091,148,685)
GROSS PROFIT		**605,819,862**	705,372,816
DISTRIBUTION COST	30	**(185,475,760)**	(255,222,663)
ADMINISTRATIVE EXPENSES	31	**(237,422,773)**	(242,151,560)
OTHER OPERATING EXPENSES	32	**(181,987)**	(4,317,579)
		(423,080,519)	(501,691,802)
OPERATING PROFIT before Other Income		**182,739,343**	203,681,014
OTHER INCOME	33	**12,248,688**	4,949,187
OPERATING PROFIT after Other Income		**194,988,031**	208,630,201
FINANCE COST	34	**(357,805,650)**	(469,944,003)
NET LOSS FOR THE YEAR before Taxation		**(162,817,619)**	(261,313,802)
TAXATION	35	**(119,163,427)**	(66,789,810)
NET LOSS FOR THE YEAR after Taxation		**(281,981,046)**	(328,103,612)
OTHER COMPREHENSIVE (LOSS)/INCOME:			
Un-realized Gain on Re-measurement of Defined Benefit Obligation (Net of Deferred Tax)		**4,656,742**	-
Realized Gain on Plant and Machinery Disposed Off		**820,335**	5,175,970
Un-realized (Loss)/Gain on Re-measurement of Fair Value of Investments Held for Sale		**(109,560)**	65,340
		5,367,517	5,241,310
TOTAL COMPREHENSIVE LOSS		**(276,613,529)**	(322,862,302)
LOSS PER SHARE - Basic and Diluted	36	**(14.99)**	(17.44)

The annexed Notes from 1 to 43 form an integral part of these Financial Statements

Sd/-	Sd/-
CHIEF EXECUTIVE	**DIRECTOR**

HUSSAIN MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	**2016** Rupees	2015 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before Taxation		**(162,817,619)**	(261,313,802)
Adjustment for:			
Provision for Gratuity		**42,548,913**	38,275,088
Depreciation		**224,768,974**	232,981,330
Re-Measurement on Investments		**(36,605)**	134,789
Loss on Disposal of Fixed Assets		**(5,729,721)**	3,760,329
Dividend Income		**(40,000)**	(115,000)
Interest Income		**(376,490)**	(1,494,430)
Return on Bank Deposits		**(1,785,065)**	(1,114,083)
Gain on Investments		**181,987**	422,461
Finance Cost		**357,805,650**	469,944,003
		617,337,643	742,794,487
Cash Generated from Operations before Working Capital Changes		**454,520,024**	481,480,685
EFFECT ON CASH FLOW OF WORKING CAPITAL CHANGES			
(Increase)/Decrease in Current Assets			
Stores, Spares and Loose Tools		**(63,326,264)**	(57,775,198)
Stock in Trade		**(677,905,438)**	415,141,843
Trade Debtors		**85,506,927**	(8,929,722)
Loans and Advances		**30,974,046**	(57,665,046)
Trade Deposits and Short Term Prepayments		**(965,427)**	(157,343)
Other Receivables		**33,669,260**	(25,944,015)
Increase/(Decrease) in Current Liabilities			
Trade and Other Payables		**(97,014,848)**	108,629,565
		(689,061,744)	373,300,084
		(234,541,719)	854,780,768
Income Tax Paid		**(104,170,434)**	(129,515,571)
Finance Cost Paid		**(365,021,094)**	(516,302,454)
Gratuity Paid		**(34,418,761)**	(34,151,330)
Workers' (Profit) Participation Fund Paid		**-**	(23,280,047)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		**(738,152,008)**	151,531,366
CASH FLOW FROM INVESTING ACTIVITIES			
Interest Income		**421,728**	1,530,432
Return on Bank Deposits		**1,785,065**	1,114,083
Dividend Paid		**40,000**	115,000
Fixed Capital Expenditure		**(121,186,306)**	(59,936,217)
Proceeds from Disposal of Operating Fixed Assets		**12,079,200**	6,905,600
Proceeds from Long Term Investments		**-**	259,324
Short Term Investments		**230,838**	3,634,100
Long Term Loan Recovered		**5,331,200**	9,708,800
Long Term Deposits and Prepayments		**(14,080,260)**	4,619,227
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(115,378,535)**	(32,049,651)
CASH FLOW FROM FINANCING ACTIVITIES			
Long Term Finances - net		**(206,912,834)**	(185,568,550)
Finance Lease Liabilities		**(6,026,270)**	(28,164,864)
Loan from Directors/Sponsors		**(41,330,137)**	76,078,558
Short Term Borrowings		**1,224,408,963**	21,308,044
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**970,139,722**	(116,346,812)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**116,609,179**	3,134,903
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**267,329,056**	264,194,153
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	27	**383,938,235**	267,329,056

The annexed Notes from 1 to 43 form an integral part of these Financial Statements

Sd/-
CHIEF EXECUTIVE

Sd/-
DIRECTOR

HUSSAIN MILLS LIMITED

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

	PAID-UP SHARE CAPITAL	CAPITAL RESERVES			UN-APPR-OPRIATED PROFIT	TOTAL
		PREMIUM ON SHARES ISSUED	MERGER RESERVE	TOTAL		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 30th June, 2014	**188,102,570**	**3,352,334**	**126,385,889**	**129,738,223**	**2,371,941,586**	**2,689,782,379**
Total Comprehensive Income for the Year ended 30th June, 2015	-	-	-	-	(322,862,302)	(322,862,302)
Incremental Depreciation on Revaluation of Fixed Assets	-	-	-	-	40,548,884	40,548,884
Balance as at 30th June, 2015	**188,102,570**	**3,352,334**	**126,385,889**	**129,738,223**	**2,089,628,168**	**2,407,468,961**
Total Comprehensive Income for the Year ended 30th June, 2016	-	-	-	-	(276,613,529)	(276,613,529)
Incremental Depreciation on Revaluation of Fixed Assets	-	-	-	-	37,208,993	37,208,993
Balance as at 30th June, 2016	**188,102,570**	**3,352,334**	**126,385,889**	**129,738,223**	**1,850,223,632**	**2,168,064,425**

The annexed Notes from 1 to 43 form an integral part of these Financial Statements

Sd/-
CHIEF EXECUTIVE

Sd/-
DIRECTOR

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

1 STATUS AND NATURE OF BUSINESS
Hussain Mills Limited ("the Company") was incorporated in Pakistan on 31st March, 1980 as a Public Limited Company under the Companies Act 1913 (Now Companies Ordinance, 1984). This is an unquoted Company which is principally engaged in manufacturing/purchase and sale of Yarn and Fabric. The manufacturing units of the Company are located in the vicinity of Multan. The Registered office of the Company is situated at Saima Trade Tower-B, I. I. Chundrigar Road, Karachi.

2 BASIS OF PREPARATION
2.1 BASIS OF MEASUREMENT
These Financial Statements have been prepared as going concern under the historical cost convention except for revaluation/re-measurement as indicated in Note 5.2, 15 and 25, without any adjustment of Inflation or Current Values, if any, using, except for Cash Flow Statement, Accrual basis of Accounting.

2.2 STATEMENT OF COMPLIANCE
These Financial Statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the 'Ordinance') and approved accounting standards as applicable in Pakistan, unless otherwise stated (note 6.12). Approved accounting standards for Economically Significant Entities (ESEs) comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.3 Standards that are effective in current year and are relevant to the Company
IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2015). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates and Joint Ventures'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation - Special Purpose Entities' in its entirety. This standard does not have significant impact on these financial statements, except for certain additional disclosures.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015). This standard includes the disclosure requirements for all forms ofi nterests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard does not have significant impact on these financial statements, except for certain additional disclosures.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard does not have significant impact on these financial statements, except for certain additional disclosures.

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

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 2, Basis of Preparation - contd…

Standards and amendments to published approved accounting standards that are not yet effective but relevant to the Company

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

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

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

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

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

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

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 2, Basis of Preparation - contd…

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

IAS 27 (Amendments) 'Separate Financial Statements' (effective for annual periods beginning on or after 01 January 2016). The amendments have been made to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

Amendments to IFRS 10 and IAS 28 (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

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

Standards and amendments to published standards that are not yet and not considered relevant to the Company

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

2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with the approved accounting standards and application of the Company's significant accounting policies stated in Note 3, requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances, Following are the areas where various assumptions and estimates are significant to the Company's Financial Statements or where judgment was exercised in application of accounting policies are as follows:

(i)	Taxation	(Note 3.1)
(ii)	Useful Life of Assets and Depreciation/Amortization	(Note 3.4)
(iii)	Employees Retirement Benefits	(Note 3.9)
(iv)	Financial Instruments and Investments	(Note 3.13)

2.5 CORRESPONDING FIGURES

Corresponding Figures have been rearranged and reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 2, Basis of Preparation - contd…

2.6 FUNCTIONAL AND PRESENTATION CURRENCY
These Financial Statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

2.7 FIGURES are rounded off to the nearest Rupee.

3 SIGNIFICANT ACCOUNTING POLICIES
The significant accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 TAXATION
Current:
Charge for Taxation is based on taxable income if any, at the current rates of tax after taking into account available tax credits and tax rebates, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred:
Deferred Tax is recognized using balance sheet liability method in respect of all taxable temporary timing differences between the amounts used for financial reporting purpose and amounts used for taxation purposes. However, Deferred Tax is not provided ifi t can be established with reasonable accuracy that these differences will not reverse in the foreseeable future.

The Company recognizes deferred tax assets on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated using rates that are expected to apply to the period when these differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited in the profit and loss account, except where deferred tax arises on the items credited or charged directly to the equity, in which case it is included in equity.

3.2 FOREIGN CURRENCY TRANSLATIONS
All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange gains/losses due to exchange fluctuations on principal loans are capitalized as part of the cost of machinery acquired out of the proceeds of such Foreign Currency Loans. All other exchange differences are taken to the Profit and Loss Account.

3.3 BORROWING COST
Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to income in the period of incurrence.

Investment income earned on the temporary investment of specific borrowings spend their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 3, Significant Accounting Policies - contd…

3.4 PROPERTY, PLANT AND EQUIPMENT

These are stated at Cost less accumulated Depreciation and impairment, if any, except Freehold Land, Buildings, Plant and Machinery and Capital work-in-Progress. Buildings on freehold land and Plant and Machinery are stated at re-valued amount less accumulated Depreciation thereon. Freehold Land and Capital Work-in- Progress are stated at Re-Valued Amount and Cost, respectively. Cost, in relation to Capital Work in Progress, consists of expenditure incurred in respect of Fixed Assets in the course of their construction, installation and acquisition.

Cost of certain items of Plant and Machinery consists of historical cost and exchange fluctuations on foreign currency loans utilized for acquisition thereof. Borrowing Costs pertaining to erection / construction period are capitalized as part of the historical cost.

Depreciation is charged to income applying the reducing balance method to write-off the Cost, capitalized Exchange Fluctuations and Borrowing Costs over the estimated remaining useful life of the assets. The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these items of Fixed Assets. Rates of Depreciation are stated in Note 14.1. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively. Gains/losses on disposal of Fixed Assets are taken to Profit and Loss Account.

Depreciation on major additions to the Fixed Assets is charged from the month in which Fixed Asset is put to use or becomes operational while no depreciation is charged for the month in which Fixed Asset is disposed off.

Minor Repairs and Maintenance are charged to Income, as and when incurred. Major Renewals and Replacements are capitalized and the Assets so replaced, if any, other than those retained as stand by, are retired.

3.5 ASSETS SUBJECT TO FINANCE LEASE

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

Depreciation is charged at the rates stated in Note 14.1 applying the reducing balance method to write-off the Cost of the Asset over its estimated remaining useful life in view of certainty of ownership of Assets at the end of the lease period.

Financial Charges and Depreciation on leased Assets are charged to Income currently.

3.6 INVESTMENTS AND OTHER FINANCIAL ASSETS

Financial Assets in the scope of IAS 39: "Financial Instruments - Recognition and Measurement", are classified as either Financial Assets at Fair Value through Profit and Loss, Loans and Receivables, Held to Maturity Investments and Held for Sale Financial Assets as appropriate. When Financial Assets are recognized initially, they are measured at fair value, plus, in the case of Investments not at Fair Value through Profit or Loss, directly attributable transaction costs. The Company determines the classification ofi ts financial assets after initial recognition and where allowed and appropriate revalue these designation at each financial year end.

All regular way purchases and sales of Financial Assets are recognized on the trade date i.e. the date the Company commits to purchase the Asset. Regular way purchases or sales are purchases/sales of Financial Assets that require delivery of Assets within the period generally established by regulation or convention in the Market place.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 3, Significant Accounting Policies - contd…

Investment at fair value through profit or loss
Financial Assets classified as held for trading are included in this category. Financial Assets are classified as held for trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

Held to Maturity Investments
Investment with fixed or determinable payments and fixed maturity are classified as held to maturity when the Company has the positive intention and ability to hold to maturity. Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently measured at amortized cost using effective interest rate method. Gains or Losses on investments held-to-maturity are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

Loans and Receivables
These are non derivative Financial Assets with Fixed or Determinable payments that are not Quoted in an Active market. Such assets are carries at amortized cost using the effective interest method. Gains and Losses are Recognized in Income when the Loans and Receivables are De-recognized or impaired, as well as through the amortization process.

Held for Sale Financial Assets
Financial Assets intended to be held for an indefinite period of time, which may by sold in response to need for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value. Gains and losses arising from re-measurement at fair value is recognized in the equity under fair value reserve until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognized in equity is included in profit and loss account.

The fair value ofi nvestments that are actively traded in organized financial markets is determined by reference to Quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

The un-recognized gain on re-measurement ofi nvestments at fair value is not available for distribution. This will be transferred to Profit and Loss Account on de-recognition of Investments.

De-recognition
All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. These investments are accounted for in accordance with IAS-39 "Financial Instruments: Recognition and Measurement".

3.7 STORES, SPARES AND LOOSE TOOLS
These are valued at moving average Cost less allowance for obsolete and slow moving items. Stores-in-transit are valued at Cost accumulated to the Balance Sheet date.

3.8 STOCKS - IN - TRADE are valued at Lower of Cost and Net Realizable Value. Cost is determined by applying the following basis.

Particulars	**Mode of Valuation**
Raw Materials:	Annual Average
Work-in-Process:	Average Manufacturing Cost
Finished Goods	Average Manufacturing Cost
Waste	Net Realizable Value.

Raw material in Transit is stated at invoice value plus other charges thereon up to the balance sheet date.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 3, Significant Accounting Policies - contd…

Average manufacturing Cost in in relation to Work-in-Process and Finished Goods consists of Prime Cost and appropriate Production Overheads.

Net Realizable Value signifies the Selling Price in the ordinary course of business less Cost necessary to be incurred to effect such Sale.

3.9 STAFF RETIREMENT BENEFITS

The Company operates an unfunded Gratuity Scheme covering all the employees of the Company with minimum qualifying period of service as defined under the respective scheme. Provision is made annually on the basis of actuarial valuation. The most recent actuarial valuation was carried out as at June 30, 2016 using the Projected Unit Credit Method. Actuarial gains and losses are recognized in accordance with the recommendations of the actuary. Further, the management of the company could not determine the expected payments in next period reasonably.

Principal Actuarial Assumptions	**2016**	2015
Discount Rate	**7.25%**	13.25%
Expected rate of eligible salary increase in future years	**6.25%**	12.25%

3.10 REVENUE RECOGNITION:

Sales are recorded on dispatch of goods to the Customers. Processing Charges are recorded when Goods are delivered to Customers and Invoices are raised. Return on Investments and Deposits are recorded on time proportion basis. Dividend Income is recognized when right to receive is established. Interest/Mark up is recognized as this becomes due.

3.11 TRADE DEBTS, ADVANCES TO SUPPLIERS AND OTHER RECEIVABLES

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

3.12 CASH AND CASH EQUIVALENTS

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

3.13 FINANCIAL INSTRUMENTS

Recognition and Measurements

Financial instruments are recognized at fair value when the Company becomes party to the contractual provisions of the instruments by the following trade date accounting. Any gain or loss on the subsequent measurement is charged to the profit and loss account. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise looses the control over contractual right that comprises the financial asset or a portion of financial asset. While a financial liability or a part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in contract is discharged, cancelled or expired.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item, if any.

Financial assets are long term investments, trade debts, deposits, loans and advances, other receivables, short term investments and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term financing, short term financing and trade and other payables.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 3, Significant Accounting Policies - contd…

Off-setting of Financial Assets and Financial Liabilities
A financial asset and financial liability is offset against each other and the net amount is reported in the Balance Sheet, if the Company has a legally enforceable right to set off the recognized amount and intends either to settle on net basis or realize the assets and settle the liability simultaneously.

3.14 TRADE AND OTHER PAYABLES
Liabilities for Trade and Other Payables are carried at Cost which is the fair value of the consideration to be paid in the future for goods and services received, whether billed to the Company or not.

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

3.16 IMPAIRMENT
The carrying amounts of the Company's Assets are reviewed at each Balance Sheet date to determine whether there is any indication ofi mpairment. If any such indication exists, the Asset's recoverable amount is estimated and Impairment Losses are recognized in the Profit and Loss Account.

3.17 CONTINGENCIES AND COMMITMENTS
Unless these are actual liabilities these are not incorporated in the Financial Statements.

3.18 SEGMENT REPORTING
Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segments results that reported to the chief decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has two reportable business segments. Spinning (producing different quality of yarn using natural fibbers). Weaving (producing different quality of grey fabric using cotton yarn).

3.19 RELATED PARTY TRANSACTIONS
All transactions involving Related Parties arising in the normal course of business are conducted at arm's length on Normal Commercial Rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

3.20 DIVIDEND AND OTHER APPROPRIATIONS
Dividend distribution to Company's shareholders is recognized as a liability in the period in which dividends are approved by and paid to the Company's shareholders.

HUSSAIN MILLS LIMITED

Notes to and forming part of the Financial Statements

			2016	2015
			Rupees	Rupees

4 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL represents Ordinary Shares of Rs.10 each and comprises of:

2016	2015			
NUMBER OF SHARES				
17,024,093	17,024,093	Fully paid in Cash	**170,240,930**	170,240,930
1,760,809	1,760,809	Issued as fully paid Bonus Shares	**17,608,090**	17,608,090
25,355	25,355	Issued against Consideration Other than Cash	**253,550**	253,550
18,810,257	18,810,257		**188,102,570**	188,102,570

The Honorable Sindh High Court, Karachi, vide its interim order dated 1st February, 2013, has restrained the management of the Company from changing the composition of the shareholding of the Company.

5 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

5.1 This is made up as follows:

		2016	2015
Balance at beginning of the Year			
Land - Freehold		**1,002,158,584**	1,002,158,584
Buildings - on Freehold Land		**269,548,630**	283,036,832
Plant and Machinery		**457,592,206**	489,828,858
		1,729,299,420	1,775,024,274
Realized on Plant and Machinery Disposed Off during the Year		**(820,335)**	(5,175,970)
Incremental Depreciation on Revaluation (Net of Deferred Tax) transferred to Comprehensive Income	(Note 5.3)	**(37,208,993)**	(40,548,884)
		1,691,270,092	1,729,299,420

5.2 The Company re-valued its entire class of certain assets as at 28th January, 2003. The Revaluation was carried-out by independent Values, M/S Hamid Mukhtar and Co., Lahore and has been duly certified by M. Yousaf Adil Saleem and Co., Chartered Accountants. and on 30th June, 2007, again, the Company had carried out revaluation of aforesaid assets through M/S BFA (Private) Limited, Multan. Subsequently, on 30th June, 2010, again, the Company carried out revaluation of aforesaid assets through M/S Maricon Consultants (Private) Limited, Multan.

5.3 The incremental depreciation charged for the period on re-valued assets has been transferred to Statement of Changes in Equity to record realization of Surplus to the extent ofi ncremental depreciation to comply with the requirement of Section 235 of the Companies Ordinance, 1984 and further notification of SECP to clarify the treatment of Surplus arising on revaluation of Fixed Assets.

6 LONG TERM FINANCES

6.1 These Comprise of:

		2016	2015
Secured from Banking Companies/Financial Institutions	(Note 6.2)	**183,041,994**	347,424,428
Unsecured from Related Parties	(Note 6.10)	**288,109,531**	329,439,668
		471,151,525	676,864,096

6.2 LONG TERM FINANCING FROM BANKING COMPANIES AND FINANCIAL INSTITUTIONS represents secured Term Finances which have been obtained from:

		2016	2015
Askari Commercial Bank Limited	(Note 6.3)	**26,261,445**	23,246,054
Soneri Bank Limited	(Note 6.4)	**105,386,519**	197,810,861
National Bank of Pakistan	(Note 6.8)	**27,814,580**	55,629,162
The Bank of Khyber	(Note 6.9)	**23,579,450**	70,738,351
		183,041,994	347,424,428

In addition to securities indicated under respective finances, these are secured by way of Joint Pari Passu Charge amounting to Rs. 3,320.000 Million (2015: Rs. 3,320.000 Million) over Fixed Assets and Personal Guarantees of the Sponsoring Directors of the Company, except other wise stated.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 6, Long Term Finances - contd…

			2016 Rupees	2015 Rupees
6.3	**TERM FINANCES FROM ASKARI BANK LIMITED** is made up as follows:			
	Balance at beginning of the Year		**23,246,054**	61,957,061
	Add: Acquired during the year		**19,820,998**	-
			43,067,052	61,957,061
	Less: Current Portion Shown under Current Liabilities	(Note 12.2)	**16,805,607**	38,711,007
	Balance at end of the Year		**26,261,445**	23,246,054

These have been obtained for the import of Plant and Machinery for BMR/Expansion of Spinning Section. These are repayable over a period from 28th July, 2016 to 20th June, 2026, in 1 to 20 equal half yearly instalments.

These are secured by way of Joint Pari Passu Charge amounting to Rs. 1,475 Million (2015: Rs. 1,475 Million) over Fixed Assets and Personal Guarantees of the Directors of the Company. These carry mark-up ranging from 7.76% to 9.54% (2015: 10.88% to 12.67%) per annum for TF and 12.60% (2015: 12.60%) per annum for LTFF Scheme introduced by SBP, payable semi annually.

			2016 Rupees	2015 Rupees
6.4	**FINANCES FROM SONERI BANK LIMITED** comprise of:			
	Term Finance	(Note 6.5)	**105,386,519**	187,310,861
	Demand Finance	(Note 6.6)	**-**	10,500,000
		(Note 6.7)	**105,386,519**	197,810,861
6.5	**TERM FINANCE FROM SONERI BANK LIMITED** is made up as follows:			
	Balance at beginning of the Year		**187,310,861**	177,568,536
	Add: Disbursement during the Year		**-**	100,000,000
			187,310,861	277,568,536
	Less:			
	Payments made during the Year		**-**	8,333,333
	Current Portion Shown under Current Liabilities	(Note 12.2)	**81,924,342**	81,924,342
			81,924,342	90,257,675
	Balance at the end of the Year		**105,386,519**	187,310,861
6.6	**DEMAND FINANCE FROM SONERI BANK LIMITED** is made up as follows:			
	Balance at beginning of the Year		**10,500,000**	21,000,000
	Less: Current Portion Shown under Current Liabilities	(Note 12.2)	**10,500,000**	10,500,000
	Balance at the end of the Year		**-**	10,500,000

6.7 These are secured by way of Joint Pari Passu Charge amounting to Rs. 620 Million (2015: Rs. 620 Million) over Fixed Assets and Personal Guarantees of the Directors of the Company and specific charge amounting to Rs. 130 Million (2015: Rs. 130 Million) over 17 Air Jet Looms installed at Weaving Unit of the Company located at Qadirpur Rawn Bypass, Multan and Specific Charge of Rs. 200 Million (2015: Rs. 200 Million) over (03) three Draw Frames and (10) ten Cards installed at Unit - 01. This is repayable over a period from 1st July, 2016 to 13th February, 2019, in 4 to 26 equal quarterly instalments. This carries mark-up ranging from 8.49% to 9.55% (2015: 10% to 12.68%) per annum for TF and 12.70% (2015: 12.60%) per annum for LTFF Scheme introduced by SBP, payable semi annually.

			2016 Rupees	2015 Rupees
6.8	**TERM FINANCES FROM NATIONAL BANK OF PAKISTAN** is made up as follows:			
	Balance at beginning of the Year		**55,629,162**	89,068,744
	Less: Current Portion Shown under Current Liabilities	(Note 12.2)	**27,814,582**	33,439,582
	Balance at end of the Year		**27,814,580**	55,629,162

These are secured by way of Joint Pari Passu charge amounting to Rs. 292 Million (2015: Rs. 292 Million), over Fixed Assets and Personal Guarantees of the Directors of the Company . This is repayable over a period from 20th July, 2016 to 6th April, 2018, in 4 equal half yearly instalments. This carries Mark-up ranging from 8.51% to 12.60% (2015: 11.63% to 12.17%) per annum for TF and 12.70% (2015: 12.60%) per annum for LTFF Scheme introduced by SBP, payable quarterly.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 6, Long Term Finances - contd...

		2016	2015
		Rupees	Rupees
6.9	**TERM FINANCE FROM THE BANK OF KHYBER** is made up as follows:		
	Balance at beginning of the Year	**70,738,351**	117,897,252
	Less: Current Portion Shown under Current Liabilities	**47,158,901**	47,158,901
	Balance at end of the Year	**23,579,450**	70,738,351

This is secured by way of Joint Pari Passu charge amounting to Rs. 267 Million (2015: Rs. 267 Million) over Fixed Assets and Personal Guarantees of the Directors of the Company. This is repayable over a period from 5th September, 2016 to 5th September, 2017, in 3 equal half yearly instalments. This carries Mark-up ranging from 8.85% to 9.51% (2015: 10.50% to 12.66%) per annum, payable quarterly.

6.10 **LONG TERM FINANCING FROM RELATED PARTIES** pertains to the directors of the Company and comprise of:

Markup Bearing	(Note 6.11)	**51,652,562**	51,652,562
Markup Free	(Note 6.12)	**236,456,969**	277,787,106
		288,109,531	329,439,668

6.11 This represents the Cash Finance facility to amounting to Rs. 60 Million (2015: Rs. 54 Million) from The Bank of Khyber (2015: Soneri Bank Limited), sanctioned to a director of the Company and is subject to Markup 0.75% spread over TDR/CD account profit rate to be recovered on quarterly basis, which is born by the Company.

6.12 These are unsecured and are repayable at the option of the Company. However, no amount has been determined to be repayable with in next 12 month. These include an amount of Rs. 215 Million (2015: Rs. 215 Million) which has been subordinated to the Banks against Financing availed by the Company. Owing to the following, these could not be stated at amortized cost as required by IAS-39:

(a) Repayment period has not yet been determined;

(b) Subsequent to the repayment of bank loans against existing subordination of these loan from directors, the Company may avail to continue to subordinate these loans against future bank borrowings of the Company;

(c) Since these are interest free, therefore comparable market instruments are unavailable for reliable determination of amortization cost.

7 **<u>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</u>** is made up as follows:

Liability due for the year ended 30th June :		
2015	**-**	41,777,286
2016	**37,572,492**	30,411,850
2017	**37,485,213**	26,610,185
2018	**32,283,661**	22,334,608
2019	**5,490,946**	-
	112,832,312	121,133,929
Less: Payments during the Year	**37,572,492**	41,777,286
Gross Minimum Lease Payments	**75,259,820**	79,356,643
Less: Future Period Financial Charges	**3,339,869**	1,410,422
Present Value of Gross Minimum Lease Payments	**71,919,951**	77,946,221
Less: Current Portion Shown under Current Liabilities	**35,307,591**	29,357,856
	36,612,360	48,588,365

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 7, Liabilities Against Assets Subject to Finance Lease - contd...

	2016 Rupees	2015 Rupees

The reconciliation between Gross Minimum Lease Payments, future Financial Charges and present value of Minimum Lease Payments is as follows:

	2016 Rupees	2015 Rupees
GROSS MINIMUM LEASE PAYMENTS		
Not later than one Year	**37,485,213**	30,411,850
Later than one Year but not later than five Years	**37,774,607**	48,944,793
Later than Five Years	**-**	-
	75,259,820	79,356,643
PRESENT VALUE OF MINIMUM LEASE PAYMENTS		
Not later than one Year	**35,307,591**	29,357,856
Later than one Year but not later than five Years	**36,612,360**	48,588,365
Later than Five Years	**-**	-
	71,919,951	77,946,221

The Company entered into the Finance Lease agreements with various Financial Institutions to acquire Machinery and Motor Vehicles. The implicit Mark-up rate used to discount the minimum lease payments ranges from 10.90% to 12.43% (2015: 11.90% to 17.25%) per annum. These are secured against Title of the Leased Assets and Personal Guarantees of the Directors of the Company. The Company avails the option to purchase the Assets at the end of respective lease terms.

8 DEFERRED LIABILITIES

8.1 These comprise of

		2016 Rupees	2015 Rupees
Deferred Taxation	(Note 8.2)	**66,417,386**	66,417,386
Staff Retirement Benefits	(Note 8.3)	**42,616,285**	39,142,875
		109,033,671	105,560,261

8.2 **DEFERRED TAXATION** is in respect of the following temporary differences:

	2016 Rupees	2015 Rupees
Taxable Temporary Differences		
Accelerated Depreciation	**259,279,649**	259,279,649
Export Debtors	**5,917,280**	5,917,280
Lease Liability	**586,046**	586,046
Deductible Temporary Differences		
Staff Gratuity	**(5,059,952)**	(5,059,952)
Unused Tax Losses	**(16,325,914)**	(16,325,914)
Turnover Tax	**(177,979,723)**	(177,979,723)
	66,417,386	66,417,386

8.3 **STAFF RETIREMENT BENEFITS** represent Gratuity and is made up as follows:

	2016 Rupees	2015 Rupees
Balance at beginning of the Year	**39,142,875**	35,019,117
Expense for the Year	**42,548,913**	38,275,088
Transfers from Accrued Liabilities	**470,235**	-
Actuarial Gains due to Experience Adjustment	**(4,656,742)**	-
Payments made during the Year	**(34,888,996)**	(34,151,330)
Present Value of Defined Benefit Obligation	**42,616,285**	39,142,875

ALLOCATION OF CHARGE FOR THE YEAR is as follows:

	2016 Rupees	2015 Rupees
Cost of Goods Manufactured	**34,789,394**	30,975,791
Administrative Expenses	**7,759,519**	7,299,297
	42,548,913	38,275,088

Historical information is as follows:

	2016	**2015**	**2014**	**2013**	**2012**
Charge for Gratuity	42,548,913	38,275,088	30,611,516	33,354,854	16,787,326

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 8, Deferred Liabilities - contd...

	2016 Rupees	2015 Rupees
RECONCILIATION of the amount recognized in Balance Sheet is as follows:		
Present value of defined benefit obligation	**42,616,285**	39,142,875
MOVEMENT IN PRESENT VALUE of Defined benefit Obligation		
Defined Benefit Obligation at the beginning of the Year	**39,142,875**	35,019,117
Current Service Cost	**32,011,362**	35,897,581
Interest on Defined Benefit Obligation	**4,955,291**	2,377,507
Benefit Paid during the Year	**(34,888,996)**	(34,151,330)
Actuarial (Gains)/Losses	**1,395,753**	-
Defined benefit Obligation at the end of the Year	**42,616,285**	39,142,875
CHARGE FOR THE YEAR in respect of this benefit comprises of:		
Current Service Cost	**32,011,362**	35,897,581
Net Interest on Net Defined Benefit Liability (Asset)	**4,955,291**	2,377,507
	36,966,653	38,275,088

PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation of Gratuity was conducted on 30th June, 2016 in accordance with IAS 19 "Employees Benefits" by using Projected Unit Credit Method. Following significant assumptions, were used for the actuarial valuation:

PRINCIPAL ACTUARIAL ASSUMPTIONS	2016	2015
Discount Rate	**7.25%**	13.25%
Expected Rate of Salary Increase	**6.25%**	12.25%

SENSITIVITY ANALYSIS AS AT 30TH JUNE, 2016

	DISCOUNT RATE + 1%	DISCOUNT RATE - 1%	SALARY INCREASE + 1%	SALARY INCREASE - 1%
PVDBO	38,684,276	47,461,850	47,461,850	38,617,015

	2016 Rupees	2015 Rupees
9 TRADE AND OTHER PAYABLES comprise of:		
Creditors	**241,687,851**	311,324,168
Accrued Liabilities	**130,280,451**	161,115,093
Advance from Customers	**55,045,797**	67,992,250
Income Tax Withheld	**3,735,832**	3,459,455
Unclaimed Dividend	**124,939**	124,939
Retention Money	**685,489**	685,489
Bills Payable	**16,853,343**	727,156
	448,413,702	545,428,550
10 ACCRUED INTEREST AND MARK-UP relates to:		
Long Term Finances	**8,250,064**	13,043,752
Short Term Borrowings	**39,295,620**	40,650,590
Lease Finance	**1,147,462**	2,214,248
Workers' (Profit) Participation Fund	**1,953,292**	1,953,292
	50,646,438	57,861,882

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

		2016 Rupees	2015 Rupees
11 SHORT TERM BORROWINGS			
11.1 These secured borrowings have been obtained from Commercial Banks and comprise of:			
Pre/Post-Shipment Advance	(Note 11.2)	**1,422,758,837**	1,394,461,379
Cash/Running Finances	(Note 11.2)	**3,460,234,067**	2,237,413,391
Overdraft	(Note 11.3)	**2,543,142**	29,252,313
		4,885,536,046	3,661,127,083

11.2 These facilities have been obtained from various Commercial Banks with sanctioned limits aggregating Rs. 7.515 Billion (2015: Rs. 7.890 Billion). The aggregate facilities are secured by a joint pari passu hypothecation charge on all present and future current assets of the Company including Stock in Trade, Trade Debts, Lien on Export Bills and Personal Guarantees of the Working Directors of the Company. These include an amount of Rs. 359,031,000/- which is secured against the personal deposits of the working directors of the Company. The expiry dates of the facilities range during the period from 30th November, 2016 to 28th February, 2017. These facilities carry Mark up rates ranging from 0.65% to 10.77% (2015: 1.25% to 8.81%) per annum.

11.3 This represents the cheques issued in excess of the available balances in Current Accounts of the Banks of the Company, which have not been presented for payment by 30th June, 2016.

12 CURRENT PORTION OF LONG TERM LIABILITIES

12.1 These comprise of:

		2016	2015
Current Portion of Long Term Finances	(Note 12.2)	**184,203,432**	226,733,832
Current Portion of Lease Liabilities	(Note 7)	**35,307,591**	29,357,856
		219,511,023	256,091,688

12.2 CURRENT PORTION OF LONG TERM FINANCES is made up as follows:

	2016	2015
Balance at beginning of the Year	**226,733,832**	292,235,218
Add: Transferred from Long Term Portion	**184,203,432**	211,733,832
	410,937,264	503,969,050
Less: Payments made during the Year	**226,733,832**	277,235,218
Balance at end of the Year	**184,203,432**	226,733,832

13 CONTINGENCIES AND COMMITMENTS

13.1 CONTINGENCIES

A case of the Company is pending for decision by Honorable Sind High Court, Karachi, against the imposition of a levy by the Excise and Taxation Officer, Karachi, amounting to Rs. 84.644 Million (2015: Rs. 71.144 Million), on imports of the Company , which has been recognized in the financial statements of the Company.

	2016	2015
Letters of Guarantee issued by the Banks on behalf of the Company in favour of:		
Sui Northern Gas Pipelines Limited	**116,675,300**	116,675,300
Excise and Taxation	**84,644,299**	71,144,299
Multan Electric Company	**9,770,600**	9,770,600
	211,090,199	197,590,199
Turnover Tax available for adjustment against Tax under Normal Law	**133,577,311**	89,064,244

13.2 COMMITMENTS

	2016	2015
Outstanding Letters of Credit for:		
Capital Expenditure	**31,940,146**	42,247,005
Raw Material	**444,701,809**	188,156,013
	476,641,955	230,403,018

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT

14.1 These are made up as follows:

PARTICULARS	COST / REVALUATION AT BEGINNING OF THE YEAR	ADDITIONS	TRANSFERS TO/(FROM)	DELETIONS	AT END OF THE YEAR	RATE %	DEPRECIATION TO BEGINNING OF THE YEAR	ON TRANSFERS	ON DELETIONS	PROVIDED FOR THE YEAR	TO END OF THE YEAR	WRITTEN DOWN AT END OF THE YEAR
							30TH JUNE, 2016					
OWNED ASSETS												
LAND - Freehold												
Cost	64,473,316	-	-	-	64,473,316	-	-	-	-	-	-	64,473,316
Revaluation Surplus	1,002,158,584	-	-	-	1,002,158,584	-	-	-	-	-	-	1,002,158,584
	1,066,631,900	-	-	-	1,066,631,900		-	-	-	-	-	1,066,631,900
BUILDINGS - on Freehold Land												
Cost -Factory	505,560,527	-	-	-	505,560,527	5	191,558,990	-	-	15,700,077	207,259,067	298,301,460
Cost -Non Factory	323,836,108	-	-	-	323,836,108	5	107,227,061	-	-	10,830,453	118,057,514	205,778,594
Revaluation Surplus	439,787,108	-	-	-	439,787,108	5	146,500,501	-	-	14,664,331	161,164,832	278,622,276
	1,269,183,743	-	-	-	1,269,183,743		445,286,552	-	-	41,194,861	486,481,413	782,702,330
PLANT AND MACHINERY												
Cost	3,375,874,390	91,288,628	-	2,256,315	3,464,906,703	5	1,295,346,052	-	1,468,373	105,856,863	1,399,734,542	2,065,172,161
Revaluation Surplus	997,123,712	-	-	1,274,911	995,848,801	5	409,264,948	-	843,608	29,374,996	437,796,336	558,052,465
	4,372,998,102	91,288,628	-	3,531,226	4,460,755,504		1,704,611,000	-	2,311,981	135,231,859	1,837,530,878	2,623,224,626
POWER HOUSE	506,348,010	-	-	-	506,348,010	5	124,942,034	-	-	19,070,299	144,012,333	362,335,677
WEIGHING BRIDGE AND SCALE	2,325,374	-	-	-	2,325,374	10	1,692,304	-	-	63,307	1,755,611	569,763
LABORATORY EQUIPMENT	73,722,397	-	-	-	73,722,397	10	42,081,999	-	-	3,164,040	45,246,039	28,476,358
ELECTRIC INSTALLATION	181,805,907	-	-	-	181,805,907	5	73,212,654	-	-	5,429,662	78,642,316	103,163,591
TARPULINE	739,107	-	-	-	739,107	10	534,390	-	-	20,472	554,862	184,245
TUBE WELL	8,873,559	-	-	-	8,873,559	10	5,330,512	-	-	354,305	5,684,817	3,188,742
FURNITURE AND FIXTURE	34,143,604	1,495,241	-	-	35,638,845	10	18,984,603	-	-	1,537,982	20,522,585	15,116,260
COMPUTER	1,540,772	-	-	-	1,540,772	30	1,470,882	-	-	20,967	1,491,849	48,923
OFFICE EQUIPMENT	15,586,009	1,426,455	-	-	17,012,464	10	9,737,424	-	-	646,560	10,383,984	6,628,480
VEHICLES	65,617,163	431,869	6,142,384	20,483,361	51,708,055	20	44,536,759	3,114,953	15,353,127	4,010,931	36,309,516	15,398,539
FIRE FIGHTING EQUIPMENT	7,565,392	457,577	-	-	8,022,969	10	4,274,762	-	-	344,316	4,619,078	3,403,891
TELEPHONE	6,411,941	-	-	-	6,411,941	10	4,137,564	-	-	227,438	4,365,002	2,046,939
ARMS AND AMMUNITION	684,750	-	-	-	684,750	10	110,726	-	-	57,402	168,128	516,622
AIR CONDITIONERS AND REFRIGERATORS	804,414	-	-	-	804,414	10	507,618	-	-	29,680	537,298	267,116
TOOLS AND EQUIPMENT	5,206,611	-	-	-	5,206,611	10	3,085,463	-	-	212,115	3,297,578	1,909,033
	7,620,188,755	95,099,770	6,142,384	24,014,587	7,697,416,322		2,484,537,246	3,114,953	17,665,108	211,616,196	2,681,603,287	5,015,813,035
LEASED ASSETS												
PLANT AND MACHINERY	144,497,071	-	-	-	144,497,071	25	23,706,100	-	-	6,039,549	29,745,649	114,751,422
POWER HOUSE	6,273,000	-	-	-	6,273,000	5	869,340	-	-	270,183	1,139,523	5,133,477
VEHICLES	44,989,285	26,086,536	(6,142,384)	-	64,933,437	20	19,165,444	(3,114,953)	-	6,843,046	22,893,537	42,039,900
	195,759,356	26,086,536	(6,142,384)	-	215,703,508		43,740,884	(3,114,953)	-	13,152,778	53,778,709	161,924,799
	7,815,948,111	**121,186,306**	**-**	**24,014,587**	**7,913,119,830**		**2,528,278,130**	**-**	**17,665,108**	**224,768,974**	**2,735,381,996**	**5,177,737,834**
							30TH JUNE, 2015					
OWNED ASSETS												
LAND - Freehold												
Cost	64,473,316	-	-	-	64,473,316	-	-	-	-	-	-	64,473,316
Revaluation Surplus	1,002,158,584	-	-	-	1,002,158,584	-	-	-	-	-	-	1,002,158,584
	1,066,631,900	-	-	-	1,066,631,900		-	-	-	-	-	1,066,631,900
BUILDINGS - on Freehold Land												
Cost -Factory	505,560,527	-	-	-	505,560,527	5	175,032,593	-	-	16,526,397	191,558,990	314,001,537
Cost -Non Factory	321,307,924	2,528,184	-	-	323,836,108	5	95,924,228	-	-	11,302,833	107,227,061	216,609,047
Revaluation Surplus	439,787,108	-	-	-	439,787,108	5	131,064,363	-	-	15,436,138	146,500,501	293,286,607
	1,266,655,559	2,528,184	-	-	1,269,183,743		402,021,184	-	-	43,265,368	445,286,552	823,897,191
PLANT AND MACHINERY												
Cost	3,349,022,073	39,935,227	-	13,082,910	3,375,874,390	5	1,195,498,793	-	7,836,478	107,683,737	1,295,346,052	2,080,528,338
Revaluation Surplus	1,004,526,562	-	-	7,402,850	997,123,712	5	382,444,512	-	4,148,288	30,968,724	409,264,948	587,858,764
	4,353,548,635	39,935,227	-	20,485,760	4,372,998,102		1,577,943,305	-	11,984,766	138,652,461	1,704,611,000	2,668,387,102
POWER HOUSE	503,256,527	3,091,483	-	-	506,348,010	5	104,908,713	-	-	20,033,321	124,942,034	381,405,976
WEIGHING BRIDGE AND SCALE	2,325,374	-	-	-	2,325,374	10	1,621,963	-	-	70,341	1,692,304	633,070
LABORATORY EQUIPMENT	73,722,397	-	-	-	73,722,397	10	38,566,399	-	-	3,515,600	42,081,999	31,640,398
ELECTRIC INSTALLATION	180,173,328	1,632,579	-	-	181,805,907	5	67,568,824	-	-	5,643,830	73,212,654	108,593,253
TARPULINE	739,107	-	-	-	739,107	10	511,643	-	-	22,747	534,390	204,717
TUBE WELL	8,873,559	-	-	-	8,873,559	10	4,936,840	-	-	393,672	5,330,512	3,543,047
FURNITURE AND FIXTURE	33,519,546	624,058	-	-	34,143,604	10	17,338,654	-	-	1,645,949	18,984,603	15,159,001
COMPUTER	1,540,772	-	-	-	1,540,772	30	1,440,929	-	-	29,953	1,470,882	69,890
OFFICE EQUIPMENT	15,586,009	-	-	-	15,586,009	10	9,087,582	-	-	649,842	9,737,424	5,848,585
VEHICLES	70,065,656	4,298,153	-	8,746,646	65,617,163	20	45,552,677	-	6,581,711	5,565,793	44,536,759	21,080,404
FIRE FIGHTING EQUIPMENT	7,198,032	367,360	-	-	7,565,392	10	3,909,137	-	-	365,625	4,274,762	3,290,630
TELEPHONE	6,411,941	-	-	-	6,411,941	10	3,884,855	-	-	252,709	4,137,564	2,274,377
ARMS AND AMMUNITION	684,750	-	-	-	684,750	10	46,945	-	-	63,781	110,726	574,024
AIR CONDITIONERS AND REFRIGERATORS	804,414	-	-	-	804,414	10	474,641	-	-	32,977	507,618	296,796
TOOLS AND EQUIPMENTS	5,206,611	-	-	-	5,206,611	10	2,849,780	-	-	235,683	3,085,463	2,121,148
	7,596,944,117	52,477,044	-	29,232,406	7,620,188,755		2,282,664,071	-	18,566,477	220,439,652	2,484,537,246	5,135,651,509
LEASED ASSETS												
PLANT AND MACHINERY	144,497,071	-	-	-	144,497,071	5	17,348,680	-	-	6,357,420	23,706,100	120,790,971
POWER HOUSE	6,273,000	-	-	-	6,273,000	5	584,937	-	-	284,403	869,340	5,403,660
VEHICLES	35,627,423	9,361,862	-	-	44,989,285	20	13,265,589	-	-	5,899,855	19,165,444	25,823,841
	186,397,494	9,361,862	-	-	195,759,356		31,199,206	-	-	12,541,678	43,740,884	152,018,472
	7,783,341,611	61,838,906	-	29,232,406	7,815,948,111		2,313,863,277	-	18,566,477	232,981,330	2,528,278,130	5,287,669,981

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 14, Property, Plant and Equipment - contd...

14.2 DISPOSAL OF OPERATING PROPERTY, PLANT AND EQUIPMENT comprises of:

	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	PROCEEDS	GAIN / (LOSS)	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
						30TH JUNE, 2016	
PLANT AND MACHINERY							
Drawing Breaker Model DX7A	3,531,226	2,311,981	1,219,245	710,000	(509,245)	Negotiation	Zhaid Jee Textile Mills Limited, P-20, Bilal Road,Civil Line, Faisalabad
VEHICLES							
Toyota Land Cruiser - MNA-09-4399	13,982,690	10,475,030	3,507,660	8,000,000	4,492,340	Negotiation	M. Ahmed s/o Haji M. Akram, House # 01, Street # 01, Akber Colony, Multan.
Honda Civic - MN-12-4843	2,543,600	1,344,378	1,199,222	1,800,000	600,778	Negotiation	Masood Fabric Limited, Head Office Mehar Manzil, Lohari Gate, Multan.
Hyundai Santro Plus - MLE - 825	601,290	556,456	44,834	300,000	255,166	Negotiation	M. Nouman ur Rehman S/o Akhtar Hussain, 313-A, Qasim Pur, Mumtazabad, Multan.
Toyota Camry - MNA 07/181	2,861,350	2,528,513	332,837	1,000,000	667,163	Negotiation	Sajjad Shakoor S/o Abdul Shakoor, H # 75,street # 4, Askari Colony, Phase-1, Multan Cantt.
Yamaha Dhoom - MNN-11-2494	48,767	32,001	16,766	8,000	(8,766)	Negotiation	M. Sarfraz Mukhtar S/o Rao Mukhtar Ahmed, Karam Pur, Tehsil Melsi, District Vehari.
3 Bicycle	10,400	9,072	1,328	1,200	(128)	Negotiation	M. Jawad S/o Shabbir Hussain, Chah Chaudhry Wala, Shujabad Multan.
Suzuki Mehran MLE 04-835	435,264	407,677	27,587	260,000	232,413	Negotiation	M. Nouman ur Rehman S/o Akhtar Hussain, 313-A, Qasim Pur, Mumtazabad, Multan.
	24,014,587	**17,665,108**	**6,349,479**	**12,079,200**	**5,729,721**		
	-	-			-		
						30TH JUNE, 2015	
PLANT AND MACHINERY							
Crosrol Card MK5D Along Accessories and Chute Feed	20,485,760	11,984,766	8,500,994	2,800,000	(5,700,994)	Negotiation	Spincot Textiles Mills (Pvt.) Ltd., Suite # 2-A, Craze One Plaza, Main Boulevard, DHA, Lahore.
VEHICLES							
Toyota Corolla - MLK-63	1,247,380	1,041,592	205,788	900,000	694,212	Negotiation	Shazif Khursheed Chandia, House # 5, Usman Block, New Garden Town, Lahore.
Toyota Altis - MN-11-5213	1,946,445	1,268,217	678,228	900,000	221,772	Negotiation	Muhamamd Asif, House# 1270, Sameeja abad colony# 02, Burlub Road Peeran, Multan.
Suzuki Mehran - MNA-09-4318	520,637	387,709	132,928	450,000	317,072	Insurance Claim	EFU General insurance Limited, Multan Division.
Honda CG-125 - MLN-6170	77,669	64,367	13,302	20,000	6,698	Negotiation	Kashif, Liaqat abad, Old Shujabad Road, Street# 1, Islam Pura, Multan.
Suzuki Cultus MLF-4064	521,440	471,867	49,573	100,000	50,427	Negotiation	Muhammad Tahir S/O Sardar Muhammad, Justice Hameed Colony, Nishter Road, Multan.
Honda City, MNA-07-2433	863,900	708,856	155,044	332,000	176,956	Negotiation	Muhammad Yasir Bashir S/O Bashir Ahmed, Shershah Road, Multan.
Honda Civic, MLM 7863	1,521,700	1,214,980	306,720	570,000	263,280	Negotiation	Muhammad Nazim S/O Abdul Jabbar, Chowk Abbas shah, Vehari Road, Kooh-e-Noor Colony, Multan.
CD 70 Bike, MNP-13-7348	71,985	13,197	58,788	61,600	2,812	Negotiation	EFU General insurance Limited, Multan Division.
Honda Motor Cycle CD 70-MLG-9445	56,752	49,182	7,570	18,000	10,430	Negotiation	Muhammad Tufail Khan, Chah Fazalwala, Mahni Sayal, Dakkhana, Khanewal.
Honda Motor Cycle CD-70 MLC-9812	60,921	53,511	7,410	16,000	8,590	Negotiation	Muhammad Shakeel, M/s Shakeel Autos, Garden Town, Multan.
Honda Civic, MNA-09-3728	1,857,817	1,308,233	549,584	738,000	188,416	Negotiation	Amir Nadeem Malik, House No. 212, Tariq Road, Nawa Sheher, Multan.
	29,232,406	18,566,477	10,665,929	6,905,600	(3,760,329)		

14.3 DEPRECIATION ALLOWANCE provided for the Year has been allocated as follows:

		2016 Rupees	2015 Rupees
Cost of Goods Manufactured	(Note 29.2)	**210,693,455**	218,086,445
Administrative Expenses	(Note 31.1)	**14,075,519**	14,894,885
		224,768,974	232,981,330

HUSSAIN MILLS LIMITED

Notes to and forming part of the Financial Statements

			2016	2015
			Rupees	Rupees

15 LONG TERM INVESTMENTS are represents Investment Held for Sale are not intended to be sold in next 12 months and comprise of:

	2016	2015	2016 Rupees	2015 Rupees
Quoted Companies	**2016**	2015		
Fatima Enterprises Limited			**6,536,572**	6,536,572
No of Ordinary Shares of Rs. 10 each	**829,808**	829,808		
Per Share Quoted Price at Year End	**14.30**	14.30		
Mubarak Textile Mills Limited			**182,700**	182,700
No of Ordinary Shares of Rs. 10 each	**66,000**	66,000		
Per Share Quoted Price at Year End	**3.49**	5.15		
Cost at end of the Year			**6,719,272**	6,719,272
Fair Value Adjustment			**5,377,322**	5,486,882
Fair Value at end of the Year			**12,096,594**	12,206,154

The current quoted Price of the share of Fatima Enterprises Limited (FEL) represents the last trading price on 21st March, 2012, when the trading of shares of this FEL has been suspended by Karachi Stock Exchange.

16 LONG TERM LOANS AND ADVANCES

These represent the unsecured amount advanced by the Company to Sui Northern Gas Pipelines Limited, to meet the cost of Gas Pipeline to be laid for supply of Gas to the weaving unit of the Company at Qadir Pur Rawn, Khanewal Road, Multan. This is recoverable in 12 years (including two years grace period) commencing from 28th September, 2007, in 07 equal annual instalments. This is subject to a Return @ 1.5% (2015: 1.5%) per annum, receivable annually.

17 LONG TERM DEPOSITS AND PREPAYMENTS comprise of.

17.1 These Comprise of:

		2016	2015
Deposits		**33,739,270**	19,659,010
Pre-Payments	(Note 17.2)	**25,000,000**	25,000,000
		58,739,270	44,659,010

17.2 This represents a payment against the manufacturing facilities utilized by the Company which is adjustable towards the end of the respective lease term.

18 STORES, SPARES AND LOOSE TOOLS comprise of:

	2016	2015
Stores	**303,427,434**	230,262,823
Spares	**109,840,343**	119,678,637
Loose Tools	**182,604**	182,657
	413,450,381	350,124,117

19 STOCK IN TRADE comprise of:

	2016	2015
Raw Material		
At Factory	**2,378,559,657**	1,386,722,427
In Transit	**112,969,221**	317,027,183
	2,491,528,878	1,703,749,610
Work in Process	**92,788,464**	122,675,243
Finished Goods	**314,120,074**	394,107,126
	2,898,437,416	2,220,531,978

20 TRADE DEBTS

20.1 These are in respect of:

		2016	2015
Export - Secured	(Note 20.2)	**508,606,642**	550,911,024
Local - Unsecured Considered Good		**252,450,626**	295,653,171
		761,057,268	846,564,195

20.2 Secured Debtors represent Foreign Bills under collection against Letters of Credit which are secured against Bank Guarantees.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

		2016 Rupees	2015 Rupees
21 LOANS AND ADVANCES			
21.1 These are unsecured but are considered good by the management and comprise of:			
Advances to:			
Employees against Salaries and Expenses	(Note 21.2)	**3,924,948**	3,360,523
Suppliers of Goods and Services		**75,272,613**	107,617,997
Immature Letters of Credit	(Note 21.3)	**6,191,807**	5,384,894
Guarantee Margin		**4,335,295**	4,335,295
		89,724,663	120,698,709
21.2 Included therein amounts due from Executives.		**2,478,546**	2,336,991

21.3 These comprise of Opening Charges, Bank Charges and Cost of Documents.

	2016 Rupees	2015 Rupees
22 TRADE DEPOSITS AND SHORT TERM PRE-PAYMENTS comprise of:		
Security Deposits	**388,526**	388,526
Short Term Pre-Payments	**1,604,307**	638,880
	1,992,833	1,027,406

23 ACCRUED INTEREST relates to Interest Recoverable from Sui Northern Gas Pipelines Limited.

	2016 Rupees	2015 Rupees
24 OTHER RECEIVABLES comprise of:		
Sales Tax	**113,549,431**	141,904,146
Insurance Claims	**197,475**	1,186,671
Others	**4,892,468**	9,217,817
	118,639,374	152,308,634

25 SHORT TERM INVESTMENTS comprise of:	**2016**	2015	2016 Rupees	2015 Rupees
Held for Trading				
Pakgen Power Limited			**-**	829,304
No of Ordinary Shares	**-**	25,000		
Per Share Quoted Price at Year End	**-**	30.01		
Lalpir Power Limited			**-**	513,235
No of Ordinary Shares	**-**	15,000		
Per Share Quoted Price at Year End	**-**	30.50		
Fatima Fertilizer Company Limited			**794,925**	-
No of Ordinary Shares	**24,500**	-		
Per Share Quoted Price at Year End	**33.94**	-		
Cost at end of the Year			**794,925**	1,342,539
Fair Value Adjustment			**36,605**	(134,789)
Fair Value at end of the Year			**831,530**	1,207,750
				-

26 TAX REFUNDS DUE FROM GOVERNMENT DEPARTMENTS relates to Income Tax.

		2016 Rupees	2015 Rupees
27 CASH AND BANK BALANCES			
27.1 These comprise of:			
Cash in Hand		**11,061,950**	2,952,639
Cash with Banks in:			
Current Accounts		**289,501,678**	220,317,486
Saving Accounts	(Note 27.2)	**63,487**	68,931
Deposit Accounts	(Note 27.3)	**83,311,120**	43,990,000
		372,876,285	264,376,417
		383,938,235	267,329,056

27.2 Saving Accounts are subject to return ranging from 3% to 4.25% (2015: 4.25% to 5.50%) per annum.

27.3 These Term Deposit Receipt (TDRs) are subject to return ranging from 5% to 9% (2015: 8.50% to 12.50%) per annum.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

		2016 Rupees	2015 Rupees
28 SALES comprises of:			
Local Sales:			
Goods		**5,076,874,152**	4,591,146,332
Waste		**72,365,837**	60,855,706
Total Local Sales		**5,149,239,989**	4,652,002,038
Export Sales:			
Goods		**5,069,748,468**	7,085,619,008
Waste		**31,728,220**	27,283,721
		5,101,476,688	7,112,902,729
Exchange Rate Gain		**41,372,916**	31,616,734
Total Export Sales		**5,142,849,604**	7,144,519,463
		10,292,089,593	11,796,521,501

29 COST OF SALES

		2016 Rupees	2015 Rupees
29.1 This is made up as follows:			
Finished Goods at beginning of the Year		**394,107,126**	492,290,925
Add: Cost of Goods:			
Manufactured	(Note 29.2)	**9,442,342,760**	10,366,445,584
Purchased		**163,939,919**	626,519,301
		9,606,282,679	10,992,964,885
		10,000,389,805	11,485,255,810
Finished Goods at end of the Year		**314,120,074**	394,107,126
		9,686,269,731	11,091,148,685
29.2 COST OF GOODS MANUFACTURED is made up as follows:			
Work in Process at beginning of the Year		**122,675,243**	118,007,853
Raw Material Consumed	(Note 29.3)	**6,935,260,230**	7,642,580,615
Packing Material Consumed		**125,794,824**	170,718,430
Stores Consumed		**342,268,642**	320,719,691
Salaries, Wages and Benefits		**719,413,419**	713,864,706
Power and Fuel		**960,317,024**	1,167,131,528
Insurance		**22,442,095**	27,274,012
Repair and Maintenance		**30,035,639**	32,538,365
Processing Charges		**5,262,497**	14,614,491
Manufacturing Hire Charges		**48,000,000**	48,000,000
Depreciation	(Note 14.3)	**210,693,455**	218,086,445
Other Manufacturing Expenses		**12,968,157**	15,584,691
		9,535,131,224	10,489,120,827
Work in Process at end of the Year		**92,788,464**	122,675,243
		9,442,342,760	10,366,445,584
29.3 RAW MATERIAL CONSUMED is made up as follows:			
Balance at beginning of the Year		**1,386,722,427**	2,025,375,043
Add: Purchases including Expenses		**7,927,097,460**	7,003,927,999
Available for Consumption		**9,313,819,887**	9,029,303,042
Balance at end of the Year		**2,378,559,657**	1,386,722,427
		6,935,260,230	7,642,580,615

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

		2016 Rupees	2015 Rupees
30 DISTRIBUTION COST comprises of:			
Local Freight, Octroi and Other Charges		**10,637,171**	10,339,725
Sea and Trailer Freight		**58,185,254**	108,184,597
Clearing and Forwarding Expenses		**15,241,521**	16,888,723
Commission on:			
Local Sales		**13,633,373**	10,441,687
Export Sales		**62,476,626**	77,529,867
Insurance		**1,836,695**	6,046,294
Bill of Lading Charges		**2,558,523**	2,591,045
Export Development Surcharge		**12,873,389**	14,829,306
Quality Claim		**38,542**	-
Sales Promotion Expenses		**354,795**	2,542,706
Others Expenses		**7,639,871**	5,828,713
		185,475,760	255,222,663
31 ADMINISTRATIVE EXPENSES			
31.1 These comprise of:			
Directors' Remuneration		**4,620,000**	4,620,000
Staff Salaries and Benefits		**143,297,535**	146,108,262
Printing and Stationery		**740,418**	957,825
Communication		**4,826,709**	5,260,045
Sui Gas and Water Charges		**1,988,475**	1,657,223
Electricity		**6,962,363**	3,612,295
Insurance		**3,098,668**	4,071,490
Travelling and Conveyance		**10,550,571**	13,144,847
Entertainment		**3,964,508**	4,210,925
Rent, Rates and Taxes		**1,179,127**	1,555,857
Vehicle Running and Maintenance		**9,656,116**	11,277,818
Repair and Maintenance		**10,781,859**	10,204,325
Fees and Subscriptions		**604,346**	871,026
Legal and Professional Charges		**7,336,841**	5,707,115
Auditors' Remuneration	(Note 31.2)	**800,000**	825,000
Advertisement and Publicity		**3,545,689**	878,661
ISO Expenses		**2,755,242**	4,247,091
Charity and Donations		**2,143,639**	3,404,090
Newspapers and Periodicals		**85,249**	98,995
Depreciation	(Note 14.3)	**14,075,519**	14,894,885
General Expenses		**4,409,899**	4,543,785
		237,422,773	242,151,560
31.2 AUDITORS' REMUNERATION relates to:			
Company's Statutory Audit		**800,000**	800,000
Workers' (Profit) Participation Fund Audit		**-**	25,000
		800,000	825,000
32 OTHER OPERATING EXPENSES comprises of:			
Loss on Re- Measurement of Investment	(Note 25)	**-**	134,789
Loss on Investment		**181,987**	422,461
Loss on Disposal of Operating Fixed Assets		**-**	3,760,329
		181,987	4,317,579

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

		2016 Rupees	2015 Rupees
33 OTHER INCOME comprises of:			
Fine, Penalties and Claims		**24,195**	297,791
Claim Received against Closeout of Contract		**4,256,612**	-
Gain on Re- Measurement of Investment	(Note 25)	**36,605**	-
Interest Income		**376,490**	1,494,430
Return on Financial Assets		**1,785,065**	1,114,083
Gain on Disposal of Operating Fixed Assets		**5,729,721**	-
Dividend Income		**40,000**	115,000
Creditors Written Back		**-**	1,927,883
		12,248,688	4,949,187
34 FINANCE COST comprises of:			
Interest/Mark-up on:			
Short Term Borrowings		**266,356,253**	289,169,236
Long Term Finance		**50,912,061**	86,465,273
Worker's (Profit) Participation Fund		**-**	1,953,292
Lease Finance Charges		**2,728,883**	2,700,583
Exchange Loss/(Gain) on Foreign Currency Finances		**2,572,453**	49,008,507
Bank Charges and Commission		**35,236,000**	40,647,112
		357,805,650	469,944,003

35 TAXATION

35.1 This relates to:

	2016	2015
Current Taxation		
Current Year	**94,342,564**	113,968,447
Prior Years	**24,820,863**	(47,178,637)
	119,163,427	66,789,810

35.2 In view of available Tax Losses, Current Taxation represents tax levied on Turnover U/S 113 on Local Sale and Final Tax U/S 169 deducted on export proceeds realized during the Year.

35.3 Income Tax Assessments of the Company up to Tax Year 2015 have either been Finalized or the Income Tax Returns were filed under self assessment scheme in accordance with the provisions of Income Tax Ordinance, 2001, hence deemed to be assessed as declared.

35.4 Numerical reconciliation between the effective tax and the applicable tax has not been provided as the entire taxation of the Company comprises of Presumptive Tax only.

36 LOSS PER SHARE

36.1 Basic Loss per Share

	2016	2015
After Tax Loss for the Year	**(281,981,046)**	(328,103,612)
	NUMBER OF SHARES	
Weighted Average Number of Ordinary Shares Outstanding during the Year	**18,810,257**	18,810,257
	R U P E E S	
Basic Loss per Share	**(14.99)**	(17.44)

36.2 Diluted Loss per Share
There is no dilution effect on the basic loss per share as the Company has no such commitments.

37 TRANSACTIONS WITH RELATED PARTIES have been disclosed in the relevant notes to the financial statements.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Executive means an employee whose basic salary exceeds Rs. 500,000 (2015: Rs. 500,000) per year. The aggregate amount charged in the account for the year for remuneration, including certain benefits, to the Chief Executive, Director and Executives of the Company is as follows:

	2016 RUPEES		
PARTICULARS	**Chief Executive**	**Director**	**Executives**
Managerial Remuneration	**654,000**	**3,600,000**	**55,650,972**
House Rent allowance	**264,000**	**-**	**-**
Utility Allowance	**36,000**	**-**	**-**
Medical Allowance	**66,000**	**-**	**5,565,097**
	1,020,000	**3,600,000**	**61,216,069**
NUMBER OF PERSONS	**1**	**1**	**63**

	2015 RUPEES		
PARTICULARS	**Chief Executive**	**Director**	**Executives**
Managerial Remuneration	654,000	3,600,000	48,297,181
House Rent allowance	264,000	-	-
Utility Allowance	36,000	-	-
Medical Allowance	66,000	-	4,829,718
	1,020,000	3,600,000	53,126,899
NUMBER OF PERSONS	**1**	**1**	**61**

In addition to above Chief Executive, Director and certain Executives are provided with Company maintained vehicles.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

39 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

39.1 Financial assets and liabilities of the Company are as follows:

	2016 RUPEES						
	Mark-Up Bearing			Non Mark-Up Bearing			
	Maturity up to One Year	Maturity after One Year	Sub-Total	Maturity up to One Year	Maturity after one Year	Sub-Total	Total
Financial Assets							
Long Term Investments	-	-	-	-	12,096,594	12,096,594	12,096,594
Long Term Loan	-	22,784,000	22,784,000	-	-	-	22,784,000
Long Term Deposits	-	-	-	-	33,739,270	33,739,270	33,739,270
Trade Debtors	-	-	-	761,057,268	-	761,057,268	761,057,268
Loans and Advances	-	-	-	83,532,856	-	83,532,856	83,532,856
Trade Deposits	-	-	-	1,992,833	-	1,992,833	1,992,833
Interest Accrued	-	-	-	182,268	-	182,268	182,268
Short Term Investments	-	-	-	831,530	-	831,530	831,530
Dues with Government Department	-	-	-	140,627,616	-	140,627,616	140,627,616
Other Receivables	-	-	-	118,639,374	-	118,639,374	118,639,374
Cash and Bank Balances	83,374,607	-	83,374,607	300,563,628	-	300,563,628	383,938,235
	83,374,607	**22,784,000**	**106,158,607**	**1,407,427,373**	**45,835,864**	**1,453,263,237**	**1,559,421,844**
Financial Liabilities							
Long Term Financing	184,203,432	183,041,994	367,245,426	-	-	-	367,245,426
Trade and Other Payables	-	-	-	448,413,702	-	448,413,702	448,413,702
Interest and Mark up accrued	50,646,438	-	50,646,438	-	-	-	50,646,438
Short Term Finances	4,885,536,046	-	4,885,536,046	-	-	-	4,885,536,046
	5,120,385,916	**183,041,994**	**5,303,427,910**	**448,413,702**	**-**	**448,413,702**	**5,751,841,612**
On Balance Sheet Gap	**(5,037,011,309)**	**(160,257,994)**	**(5,197,269,303)**	**959,013,671**	**45,835,864**	**1,004,849,535**	**(4,192,419,768)**

	2015 RUPEES						
	Mark-Up Bearing			Non Mark-Up Bearing			
	Maturity up to One Year	Maturity after One Year	Sub-Total	Maturity up to One Year	Maturity after one Year	Sub-Total	Total
Financial Assets							
Long Term Investments	-	-	-	-	12,206,154	12,206,154	12,206,154
Long Term Loan	-	28,115,200	28,115,200	-	-	-	28,115,200
Long Term Deposits	-	-	-	-	19,659,010	19,659,010	19,659,010
Trade Debtors	-	-	-	846,564,195	-	846,564,195	846,564,195
Loans and advances	-	-	-	115,313,815	-	115,313,815	115,313,815
Trade Deposits	-	-	-	1,027,406	-	1,027,406	1,027,406
Interest Accrued	-	-	-	227,506	-	227,506	227,506
Short Term Investments	-	-	-	1,207,750	-	1,207,750	1,207,750
Dues with Government Department	-	-	-	155,620,609	-	155,620,609	155,620,609
Other Receivables	-	-	-	152,308,634	-	152,308,634	152,308,634
Cash and Bank Balances	44,058,931	-	44,058,931	223,270,125	-	223,270,125	267,329,056
	44,058,931	28,115,200	72,174,131	1,495,540,040	31,865,164	1,527,405,204	1,599,579,335
Financial Liabilities							
Long Term Financing	226,733,832	347,424,428	574,158,260	-	-	-	574,158,260
Trade and Other Payables	-	-	-	545,428,550	-	545,428,550	545,428,550
Interest and Mark up accrued	57,861,882	-	57,861,882	-	-	-	57,861,882
Short Term Finances	3,661,127,083	-	3,661,127,083	-	-	-	3,661,127,083
	3,945,722,797	347,424,428	4,293,147,225	545,428,550	-	545,428,550	4,838,575,775
On Balance Sheet Gap	(3,901,663,866)	(319,309,228)	(4,220,973,094)	950,111,490	31,865,164	981,976,654	(3,238,996,440)

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 39, Financial Instruments and Related Disclosures - contd…

39.2 FINANCIAL RISK FACTORS

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

Risk management is carried out by Board of Directors of the Company. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market Risk

(i) Currency Risk

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

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

	2016	2015	**2016**	2015
	USD	USD	**Rupees**	Rupees
Trade Debts	**4,870,033**	4,978,269	**508,606,642**	550,911,024
Advances from Customers	**(138,368)**	(164,416)	**(14,214,338)**	(16,352,608)
Net Exposure	**4,731,664**	4,813,853	**494,392,304**	534,558,416

The following significant exchange rates have been applied:

	AVERAGE RATE		**REPORTING RATE**	
	2016	2015	**2016**	2015
USD to PKR	**103.58**	105.06	**104.50**	101.70

Sensitivity Analysis:

At reporting date, if the PKR had strengthened by 10% (2015: 10%) against the foreign currencies with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors and outstanding letter of credits.

	2016	2015
	Rupees	Rupees
Effect on Profit and Loss		
Trade Debts	**50,860,664**	55,091,102
Trade and Other Payables	**(1,421,434)**	(1,635,261)
Short Term Borrowings as FE-25, Export Loan	**(142,275,884)**	(139,446,138)
Net Exposure	**(92,836,654)**	(85,990,296)

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the post tax profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on Profit / (Loss) for the year and assets / liabilities of the Company.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 39, Financial Instruments and Related Disclosures - contd...

(ii) Price Risk
Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), Other price risk arises from the Company's investment in ordinary shares ofl isted companies. To manage its price risk arising from aforesaid investments, the Company actively monitors the key factors that affect stock price movement.

	2016	2015
Reporting date all index points	**25313**	24037

		Changes in KSE all Index	Effects on Profit Before Tax (Rupees)	Effects on Other Comprehensive Income (Rupees)
Available-for-sale investments				
	2016	**+10%**	**-**	**1,209,659**
		-10%	**-**	**(1,209,659)**
	2015	+10%	-	1,220,615
		-10%	-	(1,220,615)
Held for trading investments				
	2016	**+10%**	**83,153**	**-**
		-10%	**(83,153)**	**-**
	2015	+10%	120,775	-
		-10%	(120,775)	-

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, short term borrowings and liabilities against assets subject to finance lease. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

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

	EFFECTIVE PERCENTAGE		CARRYING AMOUNT	
Financial Liabilities	**2016**	2015	**2016**	2015
Fixed Rate Instruments				
Long Term Financing	**12.60 - 12.70**	12.60 - 12.70	**69,147,358**	111,363,910
Variable Rate Instruments				
Long Term Financing	**7.76 - 9.55**	9.70 - 13.16	**298,098,068**	462,794,350
Short Term Borrowings	**0.65 - 10.77**	1.25 - 8.81	**4,885,536,046**	3,661,127,083

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

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 39, Financial Instruments and Related Disclosures - contd...

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

		Changes in Interest Rate	Effects on Profit before Tax
			(Rupees)
Bank balances - deposit accounts			
	2016	**+1.50**	**1,250,619**
		-1.50	**(1,250,619)**
	2015	+1.50	660,884
		-1.50	(660,884)
Long term financing			
	2016	**+2.00**	**(5,961,961)**
		-2.00	**5,961,961**
	2015	+2.00	(9,255,887)
		-2.00	9,255,887
Liabilities against assets subject to finance lease			
	2016	**+2.00**	**(1,438,399)**
		-2.00	**1,438,399**
	2015	+2.00	(1,558,924)
		-2.00	1,558,924
Short term borrowings			
	2016	**+2.00**	**(97,710,721)**
		-2.00	**97,710,721**
	2015	+2.00	(73,222,542)
		-2.00	73,222,542

(b) Credit Risk

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

	2016 Rupees	2015 Rupees
Investments	**12,928,124**	13,413,904
Loans and Advances	**8,260,243**	7,695,818
Deposits	**34,127,796**	20,047,536
Trade Debts	**761,057,268**	846,564,195
Other Receivables	**4,892,468**	9,217,817
Bank Balances	**372,876,285**	264,376,417
	1,194,142,184	1,161,315,687

Credit risk related to trade debts is managed by established procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored and shipments to foreign customers are covered by letters of credit.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 39, Financial Instruments and Related Disclosures - contd...

The maximum credit risk exposure at reporting date is carrying value of financial assets stated above.

The Credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2016	2015
	Short Term	**Long Term**	**Agency**	**Rupees**	Rupees
AL Baraka Bank (Pakistan) Ltd.	A1	A	PACRA	**217,479**	8,799
Allied Bank Ltd.	A1+	AA+	PACRA	**216,210**	59,479
Askari Bank Ltd.	A-1+	AA	JCR-VIS	**36,250,488**	2,073,296
Bank Al- Habib Ltd.	A1+	AA+	PACRA	**5,866,665**	5,631,287
Bank Alflah Ltd.	A1+	AA	PACRA	**183,467**	279,880
Bank Islami Pakistan Ltd.	A1	A+	PACRA	**381,390**	381,460
Habib Bank Ltd.	A-1+	AAA	JCR-VIS	**21,288,590**	5,573,865
Habib Metropolitan Bank Ltd.	A1+	AA+	PACRA	**16,296**	4,723,200
JS Bank Ltd.	A1+	A+	PACRA	**40,706**	-
KASB Bank Ltd.	A3	BBB	PACRA	**-**	61,267
MCB Bank Ltd.	A1+	AAA	PACRA	**113,930**	555,639
Meezan Bank Ltd.	A-1+	AA	JCR-VIS	**1,108,451**	1,875,407
National Bank of Pakistan	A1+	AAA	PACRA	**138,898,347**	20,745,771
NIB Bank Ltd.	A1+	AA-	PACRA	**33,612**	41,787
Soneri Bank Ltd.	A1+	AA-	PACRA	**130,932,055**	131,704,298
Standard Chartered Bank Ltd.	A1+	AAA	PACRA	**-**	44,818
Summit Bank Ltd.	A-1	A	JCR-VIS	**4,847,287**	9,850
The Bank of Khyber	A1	A	PACRA	**32,281,037**	90,441,794
The Bank of Punjab	A1+	AA-	PACRA	**19,648**	120,344
United Bank Ltd.	A-1+	AA+	JCR-VIS	**180,627**	44,176
				372,876,285	264,376,417

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

(c) Liquidity Risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of founding through an adequate amount of committed credit facilities. At 30 June 2016, the Company had Rs. 7,926 Million (2015: Rs. 9,333 Million) available borrowings limits from financial institutions and Rs. 383,938,235/- (2015: Rs. 267,329,056/-) cash and bank balances. Further, the Company has a positive working capital position at the year end and management believes the liquidity risk too low. Following are the maturities of financial liabilities. The amount disclosed in the table are undiscounted cash flows:

Financial Liabilities' Maturities as at 30th June, 2016:

	Carrying Amount	6 Month or Less	6-12 Months	1-2 Years	More than 2 Years
	Rupees				
Long Term Financing	**367,245,426**	**110,522,059**	**73,681,373**	**131,753,325**	**51,288,669**
Trade and Other Payables	**448,413,702**	**313,889,591**	**134,524,111**	**-**	**-**
Short Term Borrowings	**4,885,536,046**	**2,931,321,628**	**1,954,214,418**	**-**	**-**

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 39, Financial Instruments and Related Disclosures - contd...

Financial Liabilities' Maturities as at 30th June, 2015:

	Carrying Amount	6 Month or Less	6-12 Months	1-2 Years	More than 2 Years
	-----	-----	Rupees	-----	-----
Long Term Financing	574,158,260	136,040,299	90,693,533	179,540,499	167,883,929
Trade and other Payables	545,428,550	381,799,985	163,628,565	-	-
Short Term Borrowings	3,661,127,083	2,745,845,312	915,281,771	-	-

39.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

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

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

During the reporting year ended 30th June 2016 and 2015, there were no inter level transfers and at the year end the Company held the following financial instruments carried at fair value, which all fall under level 1:

	2016	2015
	Rupees	Rupees
Assets measured at fair value		
Held for trading	**831,530**	1,207,750
Equity shares		
Available-for-sale financial assets		
Equity shares	**12,096,594**	12,206,154
	12,928,124	13,413,904

There were no liabilities measured at fair value as at 30 June 2016.

39.4 FINANCIAL INSTRUMENTS BY CATEGORIES
As at 30th June 2016

Assets as per Balance Sheet

	Cash and Cash Equivalents	Loans and Advances	Fair Value through Profit and Loss	Available for Sale
	-----	-----	Rupees	-----
Investments	-	-	**831,530**	**12,096,594**
Loans and Advances	-	**8,260,243**	-	-
Deposits	-	**34,127,796**	-	-
Trade Debts	-	**761,057,268**	-	-
Other Receivables	-	**4,892,468**	-	-
Cash and Bank Balances	**383,938,235**	-	-	-
	383,938,235	**808,337,775**	**831,530**	**12,096,594**

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 39, Financial Instruments and Related Disclosures - contd...

Liabilities as per Balance Sheet		Financial Liabilities at Amortized Cost
Long Term Financing		**655,354,957**
Accrued Mark-up		**50,646,438**
Short Term Borrowings		**4,885,536,046**
Trade and Other Payables		**448,413,702**
	Rs.	**6,039,951,143**

As at 30th June 2015

Assets as per Balance Sheet

	Cash and Cash Equivalents	Loans and Advances	Fair value through Profit and Loss	Available for Sale
	Rupees			
Investments	-	-	1,207,750	12,206,154
Loans and Advances	-	7,695,818	-	-
Deposits	-	20,047,536	-	-
Trade Debts	-	846,564,195	-	-
Other Receivables	-	9,217,817	-	-
Cash and Bank Balances	267,329,056	-	-	-
	267,329,056	883,525,366	1,207,750	12,206,154

Liabilities as per Balance Sheet		Financial Liabilities at Amortized Cost
Long Term Financing		903,597,928
Accrued Mark-up		57,861,882
Short Term Borrowings		3,661,127,083
Trade and Other Payables		545,428,550
	Rs.	5,168,015,443

39.5 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 to cost of capital.

In orders to maintain or adjust the capital structure, the Company may adjust the amount through return capital to shareholders through repurchase of shares, right issue, issue new shares, obtain loan from sponsors or sell assets to reduce debt.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. The ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in Note 6 and 11 respectively. The capital employed includes 'Total Equity' as shown in the balance sheet plus 'External Borrowings' and 'Loan from Directors and Sponsors'.

	2016	2015
	Rupees	Rupees
The gearing ratio of the Company as on the balance sheet date was as follows:		
External Borrowings	**5,252,781,472**	4,235,285,343
Loan from Directors and Sponsors	**288,109,531**	329,439,668
Total Debt	**5,540,891,003**	4,564,725,011
Total Equity	**2,168,064,425**	2,407,468,961
Total Capital Employed	**7,708,955,428**	6,972,193,972
Gearing Ratio	**71.88%**	65.47%

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

40 SEGMENT REPORTING

40.1 REPORTABLE SEGMENTS

The Company's reportable segments are as follows:

- Spinning segment - production of different quality of yarn using natural and artificial fibbers
- Weaving segment - production of different quality of grey fabric using yarn

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

40.2 SEGMENTS REVENUE AND RESULTS

Follows is an analysis of the Company's revenue and results by reportable segments

	SPINNING	WEAVING	ELIMINATION OF INTER SEGMENT TRANSACTIONS	TOTAL
	RUPEES			
For the year ended 30 June 2016				
Sales	6,189,835,882	2,645,230,742	1,457,022,969	10,292,089,593
Cost of Sales	(5,840,699,797)	(2,388,546,965)	(1,457,022,969)	(9,686,269,731)
Gross Profit	349,136,085	256,683,777	-	605,819,862
Allocated Income and Expenses:				
Distribution Cost	(148,672,916)	(36,802,844)	-	(185,475,760)
Administrative Expenses	(188,705,269)	(45,494,825)	-	(234,200,094)
Other Operating Income	11,872,198	376,490		12,248,688
	(325,505,986)	(81,921,179)	-	(407,427,165)
Profit before tax and unallocated expenses	23,630,099	174,762,598	-	198,392,697
Unallocated Expenses:				
Administrative Expenses				(3,222,679)
Other operating expenses				(181,987)
Finance cost				(357,805,650)
Taxation				(119,163,427)
				(480,373,743)
Profit after Taxation				(281,981,046)

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3 to the financial statements. Administrative expenses are apportioned on the basis of actual expenses incurred for the segments. Finance cost relating to long term loan is also allocated on the basis of purpose ofl oan for which it is obtained. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

	2016	2015
	Rupees	Rupees
40.3 GROSS REVENUE FROM MAJOR PRODUCTS AND SERVICES		
Yarn Export Sale	**4,396,605,976**	6,332,432,487
Fabric Export Sale	**673,142,492**	753,186,521
Waste Export Sale	**31,728,220**	27,283,721
Yarn Local Sale	**3,119,090,581**	2,621,433,945
Fabric Local Sale	**1,957,783,571**	1,969,712,387
Waste Local Sale	**72,365,837**	60,855,706
	10,250,716,677	11,764,904,767

40.4 GEOGRAPHICAL INFORMATION

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

Domestic	**50.23**	39.54
Asia	**42.97**	53.90
Europe	**5.98**	5.85
America	**0.34**	0.71
Africa	**0.48**	0.00
	100	100

(b) All non-current assets of the Company as at 30 June 2016 are located and operating in Pakistan.

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 40, Segment Reporting - contd...

40.5 SEGMENT ASSETS AND LIABILITIES

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

For the year ended 30 June 2016	SPINNING	WEAVING	TOTAL
	----------------------- RUPEES -----------------------		
Total assets for reportable segments	7,589,556,936	1,823,694,392	9,413,251,328
Unallocated assets:			
Other Receivables			118,639,374
Cash and bank balances			383,938,235
Other Corporate assets			164,410,345
Total assets as per consolidated balance sheet			10,080,239,282
Total liabilities for reportable segments	9,185,145,591	1,585,963,099	10,771,108,690
Unallocated liabilities:			
Other Corporate liabilities			(690,869,408)
Total liabilities as per consolidated balance sheet			10,080,239,282

(b) For the purpose of monitoring segment performance and allocating resources between segment operating property, plant and equipment is allocated to reportable segments and all other assets are held under unallocated corporate assets; and

long term loan is allocated to reportable segment and all other liabilities (i.e.) surplus on revaluation of fixed assets, deferred liabilities, trade and other payables, short term borrowings and accrued mark up are held under allocated corporate liabilities.

41 NUMBER OF EMPLOYEES	**2016**	2015
Number of Employees including Contractual Employees at end of the Year	**3,195**	3,392
Average Number of Employees including Contractual Employees during the Year	**3,171**	3,388

42 PLANT CAPACITY AND ACTUAL PRODUCTION

	2016	2015
Ring Spinning Sections		
Owned Capacity		
Number of Spindles Installed	**75,360**	75,360
Number of Spindle Shifts Worked	**3**	3
Installed Capacity at 20/S Count (Kgs) 365 Days	**27,605,148**	27,605,148
Actual Production of All Counts (Kgs)	**33,713,543**	30,894,068
Actual Production Converted into 20/S Count (Kgs)	**22,002,587**	19,900,967
Leased Capacity		
Number of Spindles Installed	**17,280**	17,280
Number of Spindle Shifts Worked	**3**	3
Capacity at 20/S Count (Kgs) 365 Days	**6,329,843**	6,329,843
Actual Production of All Counts (Kgs)	**1,432,514**	4,357,187
Actual Production Converted into 20/S Count (Kgs)	**1,415,105**	2,530,509

HUSSAIN MILLS LIMITED
Notes to and forming part of the Financial Statements

Note 42, Plant Capacity and Actual Production - contd...

Weaving Section	**2016**	2015
Owned Capacity		
Number of Looms Installed	**130**	130
Number of Looms Shifts Worked	**3**	3
Capacity at 50 picks/inch (Meters) - 365 days	**31,287,622**	31,287,622
Actual Production of All picks/inch	**19,473,190**	17,760,908
Actual Production Converted into 50 picks/inch	**24,686,135**	23,494,215
Leased Capacity		
Number of Looms Installed	**80**	80
Number of Looms Worked	**None**	None
Capacity at 50 picks/inch (Meters) - 365 days	**17,466,585**	17,466,585
Actual Production	**-**	-

It is difficult to describe precisely the production capacity in Spinning/Weaving Mills since it fluctuates widely depend on various factors such as count of yarn spun, spindles speed, twist and raw materials used, etc. It also varies according to the pattern of production adopted in a particular Year. The reason for under utilization of available capacity is attributable to normal Repair and Maintenance, Power failures and count changes.

43 DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements have been authorized for issue by the Board of Directors of the Company on **November 03, 2016**.

Sd/- Sd/-

CHIEF EXECUTIVE **DIRECTOR**

HUSSAIN MILLS LIMITED

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