ANNUAL R E P O R T 2014

MOHAMMAD FAROOQ TEXTILE MILLS LTD

CONTENTS

COMPANY'S VISION & MISSION STATEMENT

VISION

To remain a market leader in the home textile industry and emerge as a globally competitive center of value added production and exports.

MISSION

To be dynamic, profitable and growth-oriented Company through market leadership, excellence in quality and service, optimizing value for the shareholders and maximizing exports.

To give attractive returns to business associates and shareholders. Be a responsible employer and to develop and reward employees, according to their ability and performance.

To be good corporate citizen by fulfilling its social responsibilities.

CHAIRMAN	Mr. Mohammad Farooq Sumar	
CHIEF EXECUTIVE	Ms. Sabiha Sumar	
DIRECTORS	Mr. Muhammad Mukhtar Sumar Mrs. Faiza Imran Ahmad Mrs. Naheed Mukhtar Sumar Mr. Shahbaz Sumar	
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY		
AUDIT COMMITTEE	Ms. Faiza Imran Ahmad Mr. Mohammad Farooq Sumar Mr. Shahbaz Sumar	(Chairman) (Member) (Member)
EXECUTIVE COMMITTEE	Mr. Mohammad Farooq Sumar Ms. Sabiha Sumar Mr. Rasheed Chhapra	(Member) (Member) (Member)
SYSTEM & TECHNOLOGY COMMITTEE	Mr. Rasheed Chhapra Mr. Mohammad Younus	(Member) (Member)
LEGAL ADVISERS	M/s. Ijaz Ahmad & Associates	
AUDITORS	M/s. Moochhala Gangat & Co. Chartered Accountants	
BANKERS	Habib Bank Limited MCB Bank Limited Standard Chartered Bank Limited National Bank of Pakistan JS Bank Limited	
REGISTERED OFFICE AND MILLS	Plot No. 6 & 7, Sector. 21 Korangi Industrial Area. Karachi-75180	
SHARE REGISTRAR OFFICE	M/s. F.D. Registrar Services (SMC-Pvt) Ltd. Office # 1705, 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road Karachi-74000	
CABLE	FAROOQTEX	
TELEFAX	92-21-5011607	
TELEPHONES	35011571-2	
WEB SITE E-Mail	www.mohammadfarooq.com mftml@cyber.net.pk	

NOTICE OF THE MEMBERS' FORTY-NINE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Nine Annual General Meeting of Mohammad Farooq Textile Mills Limited will be held at Hotel Mehran, Dawood Pota Road, Shahrah-e-Faisal, Karachi on Friday, November 28, 2014 at 4:00 p.m. to transact the following business.

1. To confirm the minutes of Annual General Meeting held on October 31, 2013.
2. To receive, consider and adopt the Audited Accounts for the year ended 30 June 2014 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year ending June 30, 2015 and fix their remuneration. The present auditors M/s. Moochhala Gangat & Co., Chartered Accountants, being eligible have offered themselves for re-appointment as auditors of the Company.
4. Any other business with the permission of the chair.

By and on behalf of the Board

Karachi: November 7, 2014

Mohammad Farooq Sumar
Chairman

Notes:

1. The Share Transfer Books of the Company will remain closed from November 22, 2014 to November 28, 2014 (both days inclusive)
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies, in order to be valid, must be deposited at the Registered Office of the company not less than 48 hours before the time of meeting.
3. Shareholders are requested to promptly notify the Company of any change in their addresses to ensure delivery of mail.
4. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Accounts and Participant's ID number, for identification purpose, and incase of proxy, to enclose an attested copy of his/her National Identity Card.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Forty Ninth (49th) Annual Report and Audited Financial Statements for the year ended June 30, 2014.

	Rupees in '000'
Profit before financial expenses and income tax	968,344
Financial Expenses	nil
Profit before taxation	968,344
Provision for taxation	nil
Profit after Taxation	968,344
Accumulated Loss brought forward	(1,456,285)
Accumulated Loss carry forward	(487,941)
Profit per share (Rs.)	51.26

As you are aware that the Company was forced to shut down its production operations from the end of October 2010 and release all its employees due to acute shortage of working capital and mounting losses exacerbated by the failure of concerned Banks to implement the financial restructuring agreement reached with them in May 2010. It was not a willful decision of the management who were forced to close down the operation as funds were not available to keep the mills running.

The company's Profit for the year under review is Rs.968.34 million due to payment of Rs.619.02 million against the outstanding balance of Rs.1,151.51 million and gain on disposal of property, plant and equipment amounting Rs.415,228 million as against the losses of Rs.16.38 million in the last corresponding year.

In order to explore all the possible options, the company appointed a financial advisory firm in February 2011 to act as Advisors to the company on the way forward, in a situation where losses were mounting, the mill closed and restructuring with banks was in a stalled position.

With the assistance of the financial advisor the company restarted negotiations with the banks and a Settlement Agreement was reached with the approval of the Board of Directors in April, 2014 and thereafter an amended Consent Decree was obtained by the Banks.

Under the Settlement Agreement the financial institutions have exercised their right under mortgage agreements, to take over plant & machinery and land & building as full and final settlement of all outstanding amounts owed by the company towards the financial institutions and the institutions shall have no further recourse against the company. Company has paid Rs.619.02 million against their outstanding liabilities of Rs.1,151.51 million.

During these long negotiations with the Banks your Company endeavored to get some funds allocated towards settling, firstly the outstanding dues of workers and staff including Provident Fund, secondly Government and utility dues, and thirdly any remaining amount for the other creditors of the Company. You will be pleased to know that Workers and staff dues have been mostly settled, while other dues are in the process

Statement on compliance of the Code of Corporate Governance:

* The Board is committed to maintaining high standard of good corporate governance and comply with the provisions set out by the Securities and Exchange Commission of Pakistan and accordingly amended listing rules of the Stock Exchanges.

* There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations except for matters mentioned in the statement of compliance and review report thereon.

* As the company has closed down the operations due to facility of funds since October 2010 there are no material transactions in the company, the position of the CFO and Company Secretary are vacant and no human resource committee exists.

* Due to closure, the company has not carried out orientation course for their directors, as the director of the company are aware of their duties, powers and responsibilities.

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

* The company has maintained proper books of account in accordance with the corporate requirement.

* Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment.

* International Accounting Standards, as applicable in Pakistan, have been effectively implemented and monitored.

* Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Ordinance, 1984.

* The shares of the Company are traded through CDC, which gives them the opportunity of obtaining on line transfers and balance position.

* The pattern of shareholding and key financial ratios are attached.

* Key operating and financial data of last six years, in a summarized form, is annexed.

* During the year, 06 meetings of the Board of Directors were held, attendance by each Director is as under:

	Entitled	Number of meetings attended
Mr. Mohammad Farooq Sumar	--06--	06
Ms. Sabiha Sumar	--06--	04
Mr. Muhammad Mukhtar Sumar	--06--	04
Mr. M. Salman Hussain Chawala	--04--	04
Ms. Faiza Imran Ahmed	--06--	06
Ms. Naheed Mukhtar Sumar	--03--	00
Ms. Sadia Arif	--03--	03
Mr. Shahbaz Sumar	--06--	02

- The Directors do not recommend distribution of Dividend in view of non-availability of profit.
- During the year under review no trading in shares of the Company was carried out by the Directors, CEO and their spouses.
- As required by the Code of Corporate Governance, the Audit Committee of the Board has suggested the name of M/s. Moochhala Gangat & Co., Chartered Accountants, who offer themselves for appointment.

Finally, I would like to thank the remaining employees for their dedication.

For and on behalf of
The Board of Directors

Mohammad Farooq Sumar
Chairman

Karachi:
November 7, 2014

DIRECTORS REPORT TO THE SHAREHOLDERS

(FIGURES IN THOUSAND)

	June 30 2009	June 30 2010	June 30 2011	June 30 2012	June 30 2013	June 30 2014
PROFIT BEFORE FINANCIAL EXPENSES AND TAX	(302,930)	(313,431)	(293,046)	(19,832)	(9,008)	968,344
FINANCIAL EXPENSES	(99,341)	(117,397)	(43,282)	(21,595)	(7,377)	-
PROFIT / LOSS BEFORE TAXATION	(402,271)	(430,828)	(336,328)	(41,427)	(16,385)	968,344
PROVISION FOR TAXATION- CURRENT YEAR	(8,816)	(6,030)	(23,456)	2,227	-	-
DEFFERED	2,218	3,706	5,151	-	-	-
	(6,598)	(2,324)	(18,305)	2,227	-	-
PROFIT / LOSS AFTER TAX	(408,869)	(433,152)	(354,833)	(39,200)	(16,385)	968,344
LOSS BROUGHT FORWARD	(253,755)	(657,287)	(1,083,609)	(1,400,702)	(1,439,902)	(1,456,287)
	(662,624)	(1,090,439)	(1,438,242)	(1,439,902)	(1,456,287)	(487,943)
TRANSFER FROM SURPLUS ON REVALUATION OF FIXED ASSETS	5,337	6,830	37,540	-	-	
ACCMULATED LOSS CARIED FORWARD	**(657,287)**	**(1,083,609)**	**(1,400,702)**	**(1,439,902)**	**(1,456,287)**	**(487,943)**
EARNING PER SHARE	(21.65)	(22.93)	(19.47)	(2.08)	(0.87)	51.26

COST STRUCTURE

(Figures in thousands)

	2009-2010		2010-2011		2011-2012		2012-2013		2013-
	Amount	%	Amount	%	Amount	%	Amount	%	Amount
Raw materials	431,043	39.73	100,091	27.79	25,952	52.21	-	-	-
Raw Cotton & Fiber	-	-	-	-	-	-	-	-	-
(Quantity in Kgs.)	-	-	-	-	-	-	-	-	-
Other Raw Materials	431,043	39.73	100,091	27.79	100,091	201.35	-	-	-
Conversion cost	615,546	56.74	252,474	70.11	23,759	47.79	16,408	100.00	968,344
Salaries & wages	144,538	13.32	46,414	12.89	-	-	-	-	-
Stores, spares and accessories	19,142	1.76	10,922	3.03	-	-	-	-	-
Depreciation	51,627	4.76	73,052	20.28	-	-	-	-	-
Fuel and power	158,059	14.57	45,247	12.56	-	-	-	-	-
Other manufacturing expenses	24,597	2.27	10,489	2.91	-	-	-	-	-
Finance Cost	117,397	10.82	43,282	12.02	12,600	25.35	7,377	44.96	-
Administrative Expenses	99,823	9.20	23,016	6.39	11,159	22.45	9,031	55.04	(22,699)
Other Charges	363	0.03	72	0.02	-	-	-	-	
Selling & Distribution Expenses	38,233	3.52	7,567	2.10	-	-	-	-	-
(a) Freight	6,709	0.62	480	0.13	-	-	-	-	-
(a) Others	31,524	2.91	7,087	1.97	-	-	-	-	-
	1,084,822	100.00	360,132	100.00	49,711	100.00	16,408	100.00	968,344

SUMMARIZED FINANCIAL DATA

PROFIT & LOSS FOR THE YEAR/PERIOD ENDED

	June 30 2009	June 30 2010	June 30 2011	June 30 2012	June 30 2013	June 30 2014
Turnover	1,101,670	743,279	225,127	37,533	-	-
Gross profit/ (loss)	(192,178)	(190,235)	(224 371)	(13,120)	-	-
Operating profit/(loss)	(326,667)	(328,291)	(254,954)	(24,277)	(9,031)	(22,699)
Profit/(loss) after tax	(408 869)	(433,152)	(367,689)	(39,200)	(16 385)	968,344
BALANCE SHEET AS AT						
Share capital	188,892	188,892	188,892	188,892	188,892	188,892
Reserves (including surplus on revaluation)	173,480	(42,172)	(502 169)	(525,737)	(544,698)	(445,192)
Property, plant and equipment	1,246,055	1,432,623	1,247,659	1,247,434	1,247,434	42
Intangible assets & long term deposit	6,219	5,969	-	-	-	-
Net current assets / liabilities	(772,933)	(416,515)	(313,277)	(339,421)	(355,806)	(256,300)

KEY FINANCIAL RATIOS

		June 30 2008	June 30 2009	June 30 2010	June 30 2011 (Restated)	June 30 2012	June 30 2013	June 30 2014
Cost of Sales as %age of sales	%	88.61	117.44	125.59	199.66	134.96	-	-
Gross Profit/ (Loss) as %age of sales	%	11.39	(17.44)	(25.59)	(99.66)	(34.96)	-	-
Operating Profit/(Loss) as %age of sales	%	0.21	(29.65)	(44.17)	(113.28)	(64.68)	-	-
Net pre tax Profit/(Loss) as %age of sales	%	(5.56)	(36.51)	(57.96)	(152.91)	(61.79)	-	-
Net pre tax (loss) / Profit as %age of Capital employed	%	(2.42)	(20.33)	(22.35)	(25.98)	(1.82)	-	-
Current Ratio	%	42:58	32.68	35:65	45.55	44:56	-	-
Stock as %age of sales	%	49.42	39.21	38.22	22.50	0.00	-	-
Debtors as %age of sales	%	11.05	.13.39	11.55	0.00	0.00	-	-
Gearing Ratio (Debt Equity Ratio)	%	19:81	34:66	84:16	136-36	139:-39	68:32	64.33
Total Debt Assets Ratio	%	41:59	47:53	59:41	35.65	34:66	92:08	2.14
Total Assets Turnover Ratio	Times	0.60	0.56	0.39	0.17	0.29	-	-
Price earning Ratio	Times	(0.81)	(0.06)	(0.05)	(0.04)	(0.84)	(3.29)	0.07
Market value per share	Rs.	4.00	1.40	1.19	0.81	1.05	2.57	3.40
Break up value of share	Rs.	40.83	19.18	7.77	(16.59)	(17.83)	(18.84)	6.68
Earning per share		(4.19)	(21.65)	(22.93)	(19.47)	(1.25)	(0.87)	51.26

PROFIT AND LOSS ACCOUNT COMPARISON AS PERCENTAGE OF SALES

		2007-08 (Restated)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Net sales (Rupees in thousands)		1,401,489	1,101,670	743,279	225,127	37,533	-	-
(in terms of percentage)		100.00	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Sales	%	88.60	117.44	125.59	199.66	134.96	-	-
GROSS PROFIT/ (LOSS)	%	11.40	(17.44)	(25.59)	(99.66)	(34.96)	100.00	100.00
Administrative Expenses	%	3.91	6.79	13.43	10.22	29.73	-	-
Selling Expenses	%	7.27	5.42	5.14	3.36	-	-	-
		11.18	12.21	18.57	13.58	29.73	-	-
OPERATING PROFIT/(LOSS)	%	0.22	(29.65)	(44.17)	(113.25)	(64.68)	100.00	100.00
Other Income	%	0.71	2.21	2.05	6.01	9.02	-	-
Other Charges	%	-	(0.06)	(0.05)	(0.03)	-	-	-
		0.71	2.15	2.00	5.98	9.02	-	-
		0.93	(27.51)	(42.17)	(107.27)	(55.66)	100.00	100.00
Finance Cost	%	6.48	9.02	15.79	19.23	33.57	-	-
NET PRE TAX PROFIT/(LOSS)	%	(5.55)	(36.52)	(57.96)	(126.50)	(89.23)	100.00	100.00
TAXATION	%	(1.08)	(0.60)	(0.31)	(10.42)	(1.00)	-	-
PROFIT/(LOSS) AFTER TAX	%	(6.64)	(37.11)	(58.28)	(136.92)	(90.23)	100.00	100.00

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2014

No of Shares	Shareholding			Shares Held
904	1	-	100	25,163
481	101	-	500	131,051
217	501	-	1000	170,563
272	1001	-	5000	662,625
71	5001	-	10000	535,741
17	10001	-	15000	214,566
10	15001	-	20000	189,959
10	20001	-	25000	238,226
3	25001	-	30000	80,532
3	30001	-	35000	99,000
3	35001	-	40000	111,335
5	45001	-	50000	239,327
3	50001	-	55000	155,500
4	55001	-	60000	236,182
2	60001	-	65000	129,056
2	65001	-	70000	134,500
2	75001	-	80000	155,630
2	85001	-	90000	172,175
2	90001	-	95000	186,280
1	95001	-	100000	97,589
2	100001	-	105000	205,908
1	110001	-	115000	112,894
1	115001	-	120000	117,129
1	120001	-	125000	120,500
2	125001	-	130000	253,695
1	135001	-	140000	135,500
3	170001	-	175000	515,014
1	195001	-	200000	200,000
1	200001	-	205000	205,000
1	375001	-	380000	375,452
1	385001	-	390000	390,000
1	395001	-	400000	399,500
1	530001	-	535000	535,000
1	815001	-	820000	819,105
1	920001	-	925000	921,376
1	990001	-	995000	994,947
1	1860001	-	1865000	1,860,277
1	6760001	-	6765000	6,762,948
2034				**18,889,245**

Cateegories of Shareh	Numbers	Shares Held	Percentage
Individuals	2002	8,193,067	440.42
Joint Stock Companies	15	7,012,483	376.96
Bank & Financial Instit	5	392,251	21.09
Modarabas Companies	2	46,245	2.49
Investments Companies	3	1,864,089	100.20
Insurance Companies	1	999,147	53.71
Corporate Law Authori	1	1	0.00
Others	5	381,962	20.53
	2034	**18,889,245**	**1,015.40**

Pattern of Shareholding as at June 30, 2014
As Per Requirement of Code of Corporate Governance

Category No	Category of Shareholders	Share Held	Categorywise No. of Shareholders	Categorywise Shares Held	Percentage %
1	**Associated Companies, Undertakings and**		1	6,762,948	35.80
	M/s. Textile Managements (Pvt.) Ltd.	6,762,948			
2	**NIT and ICP**		2	1,865,034	9.87
	National Bank of Pakistan, Trustee Deptt.	1,861,322			
	Investment Corporation of Pakistan	3,712			
3	**Directors, CEO & their spouse and minor**		8	2,162,032	11.45
	Mr. Mohammad Farooq Sumar, Chairman	819,105			
	Ms. Sabiha Sumar, Chief Executive	112,894			
	Mr. Mohammad Mukhtar Sumar, Director	921,376			
	Mrs. Naheed Mukhtar Sumar, Director	28,738			
	Mrs. Faiza Imran, Director	117,129			
	Mr. Shahbaz Sumar	104,483			
	Mrs. Sophia Sumar w/o Mr. Farooq Sumar	57,682			
	Miss. Saiyeda D/o Mr. Mukhtar Sumar	625			
4	**Executives**		2	141,910	0.75
5	**Joint Stock Companies**		14	249,535	1.32
6	**Insurance Companies**		1	995,047	5.27
7	**Banks, Development Financial Institutions,**		10	441,651	2.34
8	**Others**		6	381,963	2.02
9	**Individuals**		1,990	5,889,125	31.18
			2,034	18,889,245	100.00

Shareholders holding 5 % voting interest (other than

	Holding	%
M/s. Textile Managements (Pvt.) Ltd.	6,762,948	35.80
National Bank of Pakistan, Trustee Deptt.	1,861,322	9.85
State Life Insuracne Corp. of Pakistan	995,047	5.27

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in respective regulations of the listing regulations of Karachi Stock Exchange and Lahore Stock Exchange respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and director representing minority interest on its Board of Directors (the Board). At present the Board includes:

Category	Names
Executive Directors	Mr. Farooq Sumar, Ms. Sabiha Sumar
Non-Executive Directors	Mr.Mohammad Mukhtar Sumar, Mrs. Faiza Imran Ahmed, Mrs. Sadia Arif, Mr. Shahbaz Sumar

There are no independent Directors who meet the criteria of independence under Clause i(b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the Directors of the Company are the member of stock exchange.

4. A casual vacancy has arisen in the Board of Directors during the year, but no appointment has yet been made to fill the vacancy.

5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.

8. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

9. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The Directors have given declaration that they are aware of their duties, powers and responsibilities.

11. The company does not carry out orientation course for their directors to acquaint them with this code, applicable loss, their duties and responsibilities.

12. Positions of CFO and Company Secretary are vacant and the Board is striving for their appointment.

13. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

14. The financial statements of the Company were duly endorsed by CEO. CFO has not signed the financial statements for the reason mentioned in para 12 above.

15. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

16. The Company has complied with all the corporate and financial reporting requirements of the Code, except as disclosed in the relevant paragraph.

17. The Board has formed an audit committee. It comprises of three members including two non-executive directors. However chairman is not an independent director.

18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

19. The company has not formed the human resource committee.

20. The Company had an in-house internal audit department which was effective up to October 2010.

21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all his partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

22. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

23. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

24. We confirm that all other material principles contained in the Code have been complied with.

Dated 7th November 2014
Karachi

For and on behalf of
Board of Directors

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **MOHAMMAD FAROOQ TEXTILE MILLS LIMITED** (the Company) to comply with the Listing Regulations of Karachi and Lahore stock exchanges.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not carried out any special review of the internal control system to enable us to expresses an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (x) of Listing Regulation No. 35 notified by Karachi and Lahore stock exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the matters highlighted in paragraph 4, 11, 12, 14, 17, 19 and 20 of the Statement of Compliance, nothing has come to our attention except above matters which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2014.

Moochhala Gangat & Co.
Chartered Accountants

Engagement Partner: Najeeb Moochhala

Karachi
Dated: November 7, 2014

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MOHAMMAD FAROOQ TEXTILE MILLS LIMITED** as at June 30, 2014 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 explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that;

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   (iii) the business conducted and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and the statement of changes in equity together with the notes forming part thereof, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affair as at June 30, 2014 and of its profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to Note 1.2, 2 and 3 to the financial statements whereby during the year the Company has entered into a compromise agreement with financial institution to repay its outstanding liabilities and also provided the reason for not considering the Company a going concern and also disclosed the basis of preparation based on which the annexed financial statements have been prepared.

Our opinion is not qualified in respect of this matter.

Moochhala Gangat & Co.
Chartered Accountants

Engagement Partner: Najeeb Moochhala

Karachi
Date: November 7, 2014

MOHAMMAD FAROOQ
BALANCE SHEET AS

	Note	2014	2013
		(Realisable)	
		(Rupees in '000)	
SHARE CAPITAL AND RESERVES			
Authorised			
25,000,000 Ordinary shares of Rs. 10 each		250,000	250,000
Issued, subscribed and paid up capital	5	188,892	188,892
Capital reserve - share premium		42,749	42,749
Accumulated loss		(487,941)	(1,456,287)
		(256,300)	(1,224,646)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	-	868,840
CURRENT LIABILITIES			
Borrowings from financial institutions	7	8,996	1,160,510
Loans from related parties	8	29,020	29,020
Staff retirement benefits	9	5,731	69,847
Trade and other payables	10	317,935	339,096
Tax payable	11	20,790	20,790
		382,471	1,619,263
CONTINGENCIES AND COMMITMENTS	12	-	-
		126,171	**1,263,457**

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

TEXTILE MILLS LIMITED
AT JUNE 30, 2014

	Note	2014	2013
		(Realisable)	
		(Rupees in '000)	
CURRENT ASSETS			
Property, plant and equipment	13	42	1,247,434
Stores, spares and loose tools	14	-	6,397
Short-term deposits and prepayments	14	1,174	1,174
Tax refundable	16	7,382	7,382
Cash and bank balances	17	117,573	1,070
		126,171	1,263,457
		126,171	**1,263,457**

SABIHA SUMAR
Chief Executive

MOHAMMAD FAROOQ SUMAR
Director

MOHAMMAD FAROOQ TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		(Rupees in '000)	
Sales		-	-
Cost of goods sold		-	-
Gross (Loss)		-	-
Other operating income	18	991,043	23
		991,043	23
Administrative expenses	19	(22,699)	(9,031)
Finance cost	20	-	(7,377)
		(22,699)	(16,408)
(Loss) before taxation		968,344	(16,385)
Taxation	21	-	-
(Loss) after taxation		968,334	(16,385)
Other comprehensive income		-	-
Total profit / (loss) after other comprehensive income		968,344	(16,385)
Earning / (loss) per share	22	51.26	(0.87)

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

SABIHA SUMAR
Chief Executive

MOHAMMAD FAROOQ SUMAR
Director

MOHAMMAD FAROOQ TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

		2014	2013
		Rupees '000	
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	Profit / (loss) before taxation	968,344	(16,384)
	Adjustments for :		
	Gain on settlement of property, plant and equipment	(445,228)	-
	Written off stores, spares and loose tools	6,397	-
	Finance cost	-	7,377
		(438,831)	7,377
	Operating cash out flows before movements in working capital	529,513	(9,007)
	Decrease in stores, spares and loose tools	-	-
	(Decrease) in staff retirement benefits	(64,117)	-
	(Decrease) in trade and other payables	(21,162)	4,930
		(85,279)	4,930
	Cash flows generated from operations	444,234	(4,077)
	Financial Charges Paid	-	-
			-
	Net cash flows (used in)/generated from operating activities	444,234	(4,077)
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
	Settlement of property, plant and equipment	823,780	-
	Net cash flows generated from investing activities	823,780	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
	Payment of Long term and short term finances - net	(1,151,512)	-
	Loan from directors and associates	-	500
	Net cash flows /(used in) financing activities	(1,151,512)	500
	Net increase in cash and cash equivalents (A+B+C)	116,503	(3,577)
	Cash and cash equivalents at the start of the year	1,070	4,647
	Cash and cash equivalents at the end of the year	117,573	1,070

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

SABIHA SUMAR
Chief Executive

MOHAMMAD FAROOQ SUMAR
Director

MOHAMMAD FAROOQ TEXTILE MILLS LIMITED
STATEMENT OF CHANGES OF EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed and paid-up capital	Reserves - Capital: Share premium	Reserves - Revenue: Accumulated losses	Total Share capital and reserves	Revaluation Surplus	Total
	....	....	(Rupees in '000)	....	....	
Balance at July 01, 2012	188,892	42,749	(1,439,901)	(1,208,260)	868,840	(1,547,680)
Changes in equity for the year ended June 30, 2013						
Total comprehensive (Loss) for the year ended June 30,	-	-	-	-	-	-
(Loss) for the year	-	-	(16,384)	(16,384)	-	(32,768)
Balance at June 30, 2013	**188,892**	**42,749**	**(1,456,285)**	**(1,224,644)**	**868,840**	**(1,580,448)**
Balance at July 01, 2013	188,892	42,749	(1,456,285)	(1,224,644)	868,840	(1,580,448)
Changes in equity for the year ended June 30, 2014						
Total comprehensive (Loss) for the year ended June 30,	-	-	-	-	-	-
Profit for the year	-	-	968,344	-	-	968,344
Balance at June 30, 2014	**188,892**	**42,749**	**(487,941)**	**(1,224,646)**	**868,840**	**(612,104)**

The annexed notes form an integral part of these financial statements

SABIHA SUMAR
Chief Executive

MOHAMMAD FAROOQ SUMAR
Director

MOHAMMAD FAROOQ TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. GENERAL INFORMATION

1.1 Mohammad Farooq Textile Mills Limited (the Company) was incorporated in Pakistan in 1966, as a public Company limited by shares, under the Companies Act, 1913 (Now the Companies Ordinance 1984). Its shares are listed on the Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Plot 6-7, Sector 21, Korangi Industrial Area, P.O. Box 75180, Karachi in the Province of Sindh, where the manufacturing facilities of the Company is situated. The principal activity of the Company is manufacturing, processing and sales of textile products.

1.2 The Company had obtained various finance facilities from the financial institutions in previous years which Company could not repay on relevant maturity dates. Financial institutions filed recovery suits against the Company for recovery of outstanding balance before the Honorable Sind High court. During the current year Company entered into a settlement agreement under which the financial institutions have excercised their rights under mortgage agreements to accept plant & machinery and land & building as full and final settlement of all outstanding amounts owed by the Company towards the financial institutions and the institutions shall have no further recourse against the Company. Company has paid Rs. 619.02 million against their outstanding liability of Rs. 1, 51.51 million.
Moreover the Company has paid all outstanding balance of Provident fund during the year and has decided to pay the outstanding balance of trade creditors, accrued liabilities and government dues from the remaining available balance of the fund. Due to aforementioned reasons, the Company is not considered a going concern.

2 Statement of Compliance

The Company is not a going concern, therefore, International Financial Reporting Standards (IFRSs) have not been applied in preparation of these financial statements in accordance with the paragraph 25 of IAS 1; "Presentation of Financial Statements".

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Comission of Pakistan.

3 BASIS OF PREPARATION

As stated in note 1.2, the Company is not considered a going concern, therefore, these financial statements have been prepared on a basis other than going concern, which is as follows;
-All assets are stated at their realisable value; and
-All liabilites are stated at amounts payable.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Borrowings from financial institutions

These are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowings.

4.2 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering unionized employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income statement by using "Projected Unit Credit" method. The most recent valuation was carried out as at June 30, 2011 and the results thereon have been disclosed in note 9. No, provision for gratuity charge during the year as employees services were terminated.

Defined contribution plan

The Company also operates defined contribution plan (i.e. recognized provident fund scheme) for those employees who are not covered by the gratuity scheme. Equal monthly contributions at the rate of 8.33% of the basic salary were made to the fund both by the Company and employees till October 2010 which date the employees services were terminated. The assets of the fund are held separately under the control of trustees.

4.3 Trade and other payables

Liablities for trade and other amounts payables are carried at fair value of the consideration to be paid in future for goods and services.

4.4 Property, Plant and equipment

Owned

Property, plant and equipement including leasehold land are stated at fored sale value which denotes their fair value.

As property, plant and equipments are stated under forced sale value, so no depreciation is charged during the year.

Maintenance and ormal repairs are charged to income as and whe incurred.

Surplus arising on revaluation of fixed assets is credited to surplus on revaluation of fixed assets account. Deficit arising on Gains and losses on disposal of property, plant and equipment, if any are included in income currently.

4.5 Taxation

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

As these finacials statements have been prepared on net realizable value, so nno deffered tax has been provided.

4.6 Stores, spares and loose tools

Stores, spares and loose tools have been written down to their net realizable value at balance sheet date.

4.7 **Provision**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation. However, all provisions have been reversed during the current year and the corresponding assets are written down to their net realizable value.

4.8 **Trade debts and other receivables**

Trade debts and other receivale have been written down to their fair value at balnce sheet date.

4.9 **Financial Instruments**

Financial assets and habilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial hability when the obligation specified in the contract is discharged, cancelled or expired.

4.10 **Offsetting of financial assets and financial liabilities**

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

4.11 **Foreign currencies transactions**

Transactions in foreign currencies are initially recorded at the exchange rate ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into rupees at the exchange rates prevailing on the balance sheet date. Exchange differences on foreign currency transactions are included

4.12 **Revenge recognition**

Sales of goods are recognized when the goods are delivered and title has passed, i.e., when the significant risks and rewards of ownership have been transferred to the customer.

Cloth processing charges are recognized when th erelated services have been rendered.

4.13 **Dividend**

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are declared and approved.

4.14 **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks on current, savings and deposits accounts.

4.15 **Functinal currency**

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

		Note	2014 (Realisable)	2013
			(Rupee in '000)	

5 **ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

2014	2013			
No. of Shares				
		Ordinary shares of Rs. 10 each fully paid		
11,222,685	11,222,685	- in cash	112,226	112,226
7,666,560	7,666,560	- as bonus shares	76,666	76,666
18,889,245	18,889,245		188,892	188,892

5.1 M/s. Textile Management (Private) Limited, an associate company holds 6,762,948 (2011: 6,762,948) ordinary shares of Rs.10 each at the balance sheet date.

6 **SURPLUS ON REVALUATION OF PROPERTY, PALANT AND EQUIPEMNT**

	2014	2013
Surplus on revaluation of property, plant and equipment at July 01,	868,840	868,840
Remeasurement of property, plant and equipment at forced sale value.		-
Reversal of revaluation surplus Lease Hold Land	(602,719)	-
Reversal of revaluation surplus Building	(168,853)	-
Reversal of revaluation surplus Plant and Machinery	(97,268)	-
	-	-
Surplus on revaluation of property, palnt and equipment at June 30,	-	868,840

6.1 Last revaluation of land and building to forced sale value was carried out on June 30, 2011 by M/s Iqbal Nanjee (Private) Limited. However last revaluation of plant and machinery to forced sale value was carried out in year 2010 by M/s Akbani & Javed Associates. management decided to further reduce the value of plant and machinery by 20% in year 2011 to reflect the fair value. There is no impact of deferred tax as these Financial Statements are prepared under net realizable value.

7 **BORROWING FROM FINANCIAL INSTITUTIONS**

	Note	2014	2013
Habib Bank Limited		-	569,525
Standard Chartered Bank (Pakistan) Limited		-	316,355
National Bank of Pakistan		-	208,567
MCB Bank Limited		-	57,067
Orix Investment Bank	7.1	8,000	8,000
Other borrowings	7.2	996	996
Total borrowings		8,996	1,160,510

7.1 This represents working capital finance obtained from Orix Investment Bank which is secured against hypothecation (second charge) over plant and machinery.

This represents liability against lease financing for four cars obtained from Faysal Bank Limited. Company has not repaid any installments since 1st Junly, 2010.

7.1 Thus this outstanding liability is the sum of all outstanding installments not paid by the Company

	Note	2014	2013
		(Realisable)	
		(Rupees in '000)	
8 LOANS FROM RELATED PARTIES			
Unsecured			
- Directors	8.1	29,020	29,020

8.1 This represents unsecured interest free loans obtained from directors

		2014	2013
9 STAFF RETIREMENT BENEFITS			
Staff gratuity		5,731	5,731
Staff provident fund		-	64,116
		5,731	69,847
9.1 Reconcilation			
Present value of defined benefit obligation		-	-
Payable to outgoing members		5,731	5,731
Unrecongnized actuarial gain		5,731	5,731
10 TRADE AND OTHER PAYABLES			
Creditors		229,497	229,717
Accrued liabilities		82,606	98,549
Advance from customers		2,927	7,927
Workers' profit participation fund		184	184
Workers' welfare fund		2,244	2,244
Unclaimed dividend		475	475
		317,933	339,096

11 TAX PAYABLE

This represents various tax liabilities pertiing to tax years 2008, 2009 and 2010

12 CONTINGENCIES AND COMITMENTS

12.1 An ex-employee of the Company has filed a suit in the High Court of Sindh, against the Company for the recovery of outstanding salary amounting to Rs. 2.38 million and damages to the sum of Rs. 5 million plus interest at the rate of KIBOR plus 3%. The matter is pending for recording of plaintiff's evidence. Management feels that no unfavorable outcome is expected and accordingly no provision for the above mentioned amount or any other liability that may arise has been made in these financial statements.

12.2 A suit for recovery of outstanding rent amounting to Rs. 10.32 million along with markup at the rate of 15% has been filed by the owners against the Company for the property rented at Finlay House, Karachi. The matter is pending for settlement of issues. Management is confident that the aforesaid suit will be decided in favour of Company.

12.3 A suit filed by the Company for declaration and permanent injuction against the Controller of billings, KESC & others before the Honourable High Court of Sindh against the demand raised by KESC for payment of alleged outstanding amount of Rs. 3.152 million and notice for withdrawal of permission of generating set on this basis. The matter is pending for recording of evidence of the parties. The Company has a good arguable case on merits and there is no likelihood of unfavouarable outcome or any potential loss on account of the said litigation.

12.4 Thirty four number of ex-employees or the legal heirs of the deceased employees claiming their dues have filed cases against the Company before the Commissioner Payment of Wages Act. The said liability has already been accounted for.

12.5 A creditor of the Company M/s Kashif Enterprises has filed a suit for recovery of Rs. 2.93 million along with damages of Rs 5 million. A liability of Rs 2.78 million has already been accounted for and for remaining amount and damages management is confident that suit will be decided in favour of the company, thus no provision has been made for these amounts.

12.6 There is a winding up petition filed by certain creditors against the Company before various appropriate Courts for recovery of their dues. The said laibilities of the creditors have already been accounted for.

12. PROPERTY, PLANT AND EQUIPMENT

Particulars	Carrying value at July 01, 2013	Additions/ (Deletions)	Adjustments	Remeasurment to forced sale value	Depreciation charge for the year	Carrying value at June 30, 2014	Rate of Depreciation %
	Rupees in '000						
Owned assets							
Lease hold land	604,444	(604,444)	-	-	-	-	
Building on leasehold land	184,384	(184,384)	-	-	-	-	5 & 10
Plant and machinery	448,565	(448,565)	-	-	-	-	10
Power and installations	2,433	(2,433)	-	-	-	-	10
Furniture and fixtures	1,283	(1,283)	-	-	-	-	10
Tools and equipment	5,964	(5,964)	-	-	-	-	10
Computer equipment	319	(319)	-	-	-	-	30
Vehicles	42	-	-	-	-	42	20
			-	-	-		
	1,247,434	(1,247,392)	-	-	-	42	

As stated in note 1.2 the property, plant & equipment owned by the Company have been valued on the basis of forced sales value based on the valuation reports.

For the year ended June 30, 2013

13 PROPERTY, PLANT AND EQUIPMENT

Particulars	Carrying value at July 01, 2012	Additions/ (Deletions)	Adjustments	Remeasurme nt to forced sale value	Depreciation charge for the year	Carrying value at June 30, 2013	Rate of Depreciation %
	Rupees in '000						
Owned assets							
Lease hold land	604,444	-	-	-	-	604,444	
Building on leasehold land	184,384	-	-	-	-	184,384	5 & 10
Plant and machinery	448,565	-	-	-	-	448,565	10
Power and installations	2,433	-	-	-	-	2,433	10
Furniture and fixtures	1,283	-	-	-	-	1,283	10
Tools and equipment	5,964	-	-	-	-	5,964	10
Computer equipment	319	-	-	-	-	319	30
Vehicles	42	-	-	-	-	42	20
	1,247,434	-	-	-	-	1,247,434	

As stated in note 1.2 the property, plant & equipment owned by the Company have been valued on the basis of forced sales value based on the valuation reports.

Disposal of Operating fixed assets

13.1

Particulars	Net realisable value	Revaluation Surplus	Cost	Written down Value	Settlement as per agreement	Profit	Sold to	Mode of Payment
				June 30, 2014				
LEASED HOLD LAND	604,444	(602,719)	1,725	1,725	371,496	369,711	-	Against Settlement Agreement with Banks
BUILDING ON LEASED HOLD LAND	184,384	(168,853)	15,531	15,531	167,784	152,253	-	Against Settlement Agreement with Banks
PLANT AND MACHINERY	446,565	(97,266)	351,297	351,297	284,500	(66,797)	-	Against Settlement Agreement with Banks
POWER AND INSTALATION	2,433	-	2,433	2,433	-	(2,433)	-	Against Settlement Agreement with Banks
FURNITURE AND FIXTURES	1,283		1,283	1,283	-	(1,283)	-	Against Settlement Agreement with Banks
TOOLS AND EQUIPMENTS	5,964		5,964	5,964	-	(5,964)	-	Against Settlement Agreement with Banks
COMPUTER EQUIPMENTS	319		319	319		(319)	-	Against Settlement Agreement with Banks
Total	**1,247,392**	**(868,840)**	**378,552**	**378,552**	**823,780**	**445,228**		
				June 30, 2013				
	-			-	-	-	-	-

Note		Note	2014	2013
			(Realisable)	
			(Rupees in '000)	
14	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		-	-
	Spares and loose tools		6,397	6,397
			6,397	6,397
	Written off during the year		(6,397)	-
			-	6,397
15	**SHORT-TERM DEPOSITS AND PREPAYMENTS**			
	Other deposits	15.1	1,174	1,174
			1,174	1,174
15	**OTHER DEPOSITS**			
	Opening balance		1,174	1,174
	Written off during the year		-	-
	Closing balance		1,174	1,174
16	**TAX REFUNDABLE**			
	Tax refund due from government			
	Sales tax		7,382	7,382
	Written off during the year		-	-
	Closing balance		7,382	7,382
17	**CASH AND BANK BALANCES**			
	Cash in hand		24	25
	Cash at banks - in current accounts		14,522	1,045
	Cash at bank - in Escrow accounts		103,024	-
			117,571	1,070
18	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Exchange gain		17	23
	Income from non financial assets			
	Gain on settlement of property, plant and equipment		445,228	-
	Reversal of liability		545 798	-
			991,026	-
			991,343	23
19	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits		1,260	2,086.00
	Vehicles running		-	1,437.00
	Communication and stationery		161	247.00
	Legal and professional		13,805	2,704.00
	Conveyance and entertainment		10	19.00
	Repairs and maintenance		109	180.00
	Rent, rates and taxes		461	1,780.00
	Auditors' remuneration	19.1	330	330.00
	Advertisement		63	23.00
	Fee and subscription		89	195.00
	Write off- stores and spares		6 397	-
	Others		14	49.00
			22 699	9,030.00
19.1	**Auditor's remuneration**			
	Audit fee		230	230
	Half yearly review		75	75
	Out of pocket expense		25	25
			330	330
20	**FINANCE COST**			
	Interest / markup on:			
	Borrowings from financial institutions		-	-
	Provident fund		-	7,376
			-	7,376

21 TAXATION

21.1 There is no current tax expense as the Company has incurred gross loss before setting off depreciation and other inadmissibles hence no minimum tax is payable.

21.2 Return for the tax years upto Tax year 2013 have been filed and deemed to be assessed under Section 120(1) of Income Tax Ordinance, 2001.

21.3 In respect of monitoring proceeding for tax year 2010 the Commissioner (Appeals) vide his order dated 16th Jnauary, 2012 had decided in favour of the Company. However the Department has filed an appeal before the Honourable Appellate Tribunal against the said order. A liability of 18.24? million has already been accounted for in previous year.

21.4 Monitoring proceedings for tax years 2009, 2008 and 2007 are underway and various demands u/s 161 and u/s 205 net off reliefs amounting to Rs. 1.677 million has been created which has been provided in the accounts.

21.5 In respect of tax year 2009 Workers' Welfare Fund was levied at Rs. 705,258 which is contested before the Honorable Appellate Tribunal Inland Revenue on the ground that since the Company has declared loss in the financial statements as well as in the tax returns u/s 114 of the Ordinance for local sales hence WWF is not applicable under section 2(1)(i) of the Workers' Welfare Fund Ordinance 1971. However full provision has been made in the accounts.

21.6 In repect of tax year 2008 a notice u/s 122(5A) has been received by the Company regarding proration of expenses which matter was duly complied with. The case is still under process. No provision has been made in the accounts as the liability cannot be determined.

21.7 For the assessment year 2002-2003, department was of the view that unabsorbed brought forward depreciation was under allocated to export sales (presumptive scheme). An appeal was filed with the Commissioner of Income Tax (A), which was decided in favour of tax deferment. Subsequently, an appeal was filed against the decision of CIT (A) in Income Tax Appellate Tribunal (ITAT) which was decided in favour of the Company. The department filed reference application before the Honorable Sindh High Court against the decision of ITAT. Management believes that application filed by the department is expected to be rejected and no amount has been provided accordingly.

22 LOSS PER SHARE

- Basic & diluted

		2014	2013
		(Rupees in '000)	
There is no dilutive effect on the basic earnings per share of the company which is based on -			
Loss after taxation		(15,384)	(39,200)
Weighted average number of ordinary shares outstanding during the year (,000)		18,889	18,889
Loss per share - in rupees	Rs	51.26	(0.87)

23 REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including benefits, to the Chief Executive Officer, full time working Directors and Executives of the Company were as follows.

	Chief Executive Officer		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Managerial remuneration including fee	-	-	-	-	-	-
Retirement benefits	-	-	-	-	-	-
House rent and utilities	-	-	-	-	-	-
	-	-	-	-	-	-
Number of persons	1	1	6	6	-	-

Directors include two non-executive directors (2013: two non-executive directors) who do not receive any remuneration and other benefits. Directors and chief executive have waived their remuneration from November 2010.

24 Related party	Nature of transaction	2014	2013
		(Realisable) Rupees in '000)	
Provident fund	Paid / adjustment	54,116	-
Loan from director	Loan from director	29,020	29,020
		83,136	29,020

25 PRODUCTION CAPACITY

	2014	2013
Plant rated capacity of Grey fabric (Sq Mts)	16,479,374	16,479,374
Actual production of Grey fabric (Sq Mts)	-	-

26 FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

26.1 Financial Instruments by Category

Financial assets

Loans and receivables

	2014	2013
Other deposits	1,174	1,174
Cash and bank balances	117,571	116,503
	118,745	117,677

Financial liabilities

At amortised cost

	2014	2013
Loans from related parties	29,020	29,020
Trade and other payables	315,006	331,169
Borrowings from financial institutions	8,996	1,160,510
Staff retirement benefits	5,731	69,847
Tax payable	-	-
	358,754	1,590,547

26.1.1 Reconciliation of Financial Assets and Liabilities with Total Assets and Liabilities

	2014	2013
	118,745	117,677
Add: Non Financial Assets		
Property, plant and equipment	-	(1,247,392)
Stores, spares and loose tools	-	(6,937)
Tax refundable	7,382	7,382
	7,382	(1,246,437)
Total Assets	126,127	1,128,730
	358,754	**1,590,547**
Add: Non Financial Liabilities		
Advance from customers	2,927	7,927
Total Liabilities	361,681	1,598,473

27 FINANCIAL RISK MANAGEMENT

The Company's activities exposed it to a variety of financial risks; credit risk, liquidity risk and market risk (including currency risk, fair value interst rate risk and cash flow interst rate risk). The Company's overall risk management program focuses on minimising potential adverse effects on the Company's finnacial perfomance. The overall risk mangment of the Company is carried out by the Company's senior management team under policies approved by the Board of Directors. Such policies entail identifying, evaluating and addressing financial risk of the Company.

27.1 **CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss without taking into account the fair of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic futures that would cause their ability to meet contractual obligations to be similarly affected by changes in economical, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's perfomance to developments affecting a particular industry.

Credit risk of the Company arises principally from the trade deposits and bank balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on balances with banks is limited because the counter parties are banks with reasonably high credit ratings.

The maximum exposures to credit risk at the reporting date is as follows:

	2014	2013
	(Rupees in '000)	
short-term deposits and	[illegible]	1,174
prepayents	11,753	1,070
Cash and bank balances		
	18,747	2,244

27.2 **LIQUIDITY RISK**

The Company manages liquidity risk by following internal guidelines of the management such as monitoring maturities of financial assets and financial liabilities. The maturity analysis of the financial liabilities showing the remaining contractual maturities at the balance sheet date is presented below.

2014	Within 1 year	1 - 5 years	More than 5 years	Total
	Rupees in '000			
Borrowings from financial institutions	8,996	-	-	8,996
Loans from related parties	2,090	-	-	2,090
Trade and other payables	317,933	-	-	317,933
Staff retirement benefits	-	-	-	-
Tax payable	-	-	-	-
	355,948	-	-	**355,948**

2013	Within 1 year	1 - 5 years	More than 5 years	Total
	Rupees in "000"			
Borrowings from financial institutions	1,160,510	-	-	1,160,510
Loans from related parties	29,020	-	-	29,020
Trade and other payables	315,006	-	-	315,006
Staff retirement benefits	5,731	-	-	5,731
Tax payable	-	-	-	-
	1,510,267	-	-	**1,510,267**

27.3 **MARKET RISK MANAGEMENT**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

27.4 **FOREIGN EXCHANGE RISK**

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk on trade receivables. The total foreign currency risk exposure at the balance sheet is presented below.

Currency	In foreign currency		Rupees in '000	
	2014	2013	2014	2013
Dollar	1,344	4,131	16	41

Foreign Currency Sensitivity Analysis

The following table details the sensitivity to a 10% increase or decrease in the exchange rates of relevant foreign currencies, with all other variables held constant, of the Company's loss before tax and the Company's equity.

	2014	
Currency	**Change in rate**	**Effect on loss before tax**
	Increased / decreased	
	%	(Rupees in '000)
Dollar	10%	16

27.5 **OTHER PRICE RISK**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk.

28 **SEGMENT REPORTING**

The Company considers itself as a single operating segment Company and the Company's performance is evaluated on an overall basis therefore, no segment is reported.

29 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on October 7, 2014 by the Board of Directors of the Company.

30 **GENERAL**

Figures have been rounded off to the nearest thousand of Rupees.

SABIHA SUMAR
Director

MOHAMMAD FAROOQ SUMAR
Director

M O H A M M A D F A R O O Q T E X T I L E M I L L S L T D

PROXY FORM

The Company Secretary,
Mohammad Farooq Textile Mills Limited
Plot Nos 6 & 7, Sector 21
Korangi Industrial Area
Karachi

I / We ______________________________

Of ______________________________

Member(s) Of MOHAMMAD FAROOQ TEXTILE MILLS LTD, and holding ______________

Ordinary Shares As per Registered Folio No. ______________________

do hereby appoint ______________________ of ____________ Folio No. ______________

(or Failing him) ______________________ of ____________ Folio No ______________

(who are also members of the Company) as a proxy to attend and vote on my / our behalf at the 48th Annual General Meeting of the Company to be held on Fridayy, November 28, 2014 at 4:00 p.m. and any adjournment thereof.

Signed this ______________________ day of ______________ ______________ 2014

Affix Five Rupees Revenue Stamp

1. WITNESS ______________________ 2. WITNESS ______________________

ADDRESS ______________________ ADDRESS ______________________

______________________ ______________________

______________________ ______________________

NIC NO. ______________________ NIC NO. ______________________

(Signature should agree with the specimen signature registered with the Company)

Important:

1. Instruments of Proxy will not be considered as valid unless they are deposited or received at the Company's Registered Office at least 48 hours before the time of holding the Meeting.
2. No person shall act as proxy unless he / she is a member of the Company.
3. Attested copies of CNIC or the passport of the beneficial owners and the proxy holder shall be furnished with the proxy form.
4. The proxy holder shall produce his / her original CNIC or original passport at the time of Meeting.
5. In case of corporate entity, the Board of Director resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

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If undelivered Please return to
MOHAMMAD FAROOQ TEXTILE MILLS LIMITED
PLOT NO. 6 & 7, SECTOR 21,
INDUSTRIAL AREA,
KARACHI-75180.