



Chakwal Spinning Mills Limited



ANNUAL REPORT 2016

Vision

Our vision to provide quality yarn of clothing needs of the people.

Mission

Chakwal Spinning Mills Ltd. is a yarn manufacturing company committed to produce quality yarn for quality conscious valued customers.

The company's mission is to become progressive and profitable by adopting best industry practices, latest technology and maintaining fair, friendly and creative work environment which shall lead to generate sufficient return for the investors.



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Company Information

BOARD OF DIRECTORS

Khawaja Mohammad Jahangir	(Chief Executive)
Khawaja Mohammad Jawed	(Director)
Khawaja Mohammad Tanveer	(Director)
Khawaja Mohammad Kaleem	(Director)
Khawaja Mohammad Nadeem	(Director)
Mr. Mohammad Naveed	(Director)
Mr. Mohammad Aman	(Director)
Mr. Mohammad Tariq Sufi	(Independent Director)

AUDIT COMMITTEE

Mr. Mohammad Naveed	(Chairman)
Khawaja Mohammad Jawed	(Member)
Mr. Mohammad Aman	(Member)

HR & REMUNERATION COMMITTEE

Khawaja Mohammad Jawed	(Chairman)
Khawaja Mohammad Jahangir	(Member)
Khawaja Mohammad Tanveer	(Member)

COMPANY SECRETARY

Mr. Muhammad Ashraf	(FCMA)
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CHIEF FINANCIAL OFFICER

Mr. Muhammad Ashraf	(FCMA)
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BANKERS

Habib Metro Bank Limited
Allied Bank of Pakistan
MCB Bank Limited
The Bank of Punjab
Meezan Bank Limited

AUDITORS

H.A.M.D & Co.
Office No. 01, 2nd Floor, Diamond Tower,
Liberty Market, Opposite LDA Parking Plaza,
Near Capri Cinema,
Lahore, Pakistan.

CORPORATE & REGISTERED OFFICE

7/1-E-3 Main Boulevard Gulberg III, Lahore.
Tel : (042) 35717510
Fax : (042) 35755760

SHARE REGISTRARS

Corp Link (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore.
Tel : (042) 35839182
Fax : (042) 35869037

MILLS

49-Kilometer
Multan Road, Bhal Phero.
Tel : (04943) 540083-4

Notice Of Annual General Meeting

Notice is hereby given that the 29th Annual General Meeting of CHAKWAL SPINNING MILLS LIMITED will be held on Wednesday, November 30, 2016 at 11:00 a.m. at 11-E, Main Gulberg, Lahore to deal with the following matters :-

ORDINARY BUSINESS:

1. To confirm the minutes of last AGM held on January 31, 2016.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2016 together with the reports of directors and auditors thereon.
3. To appoint auditors for the year ending June 30, 2017 and to fix their remuneration.
4. To transact any other business which may be brought forward with the permission of the Chair.

BY ORDER OF THE BOARD

Lahore:
November 08, 2016

MUHAMMAD ASHRAF
Company Secretary

BOOK CLOSURE

The Member's Register will remain closed from November 24, 2016 to November 30, 2016 (both days inclusive).

NOTES:

1. A member entitled to attend the meeting may appoint another member as his/her proxy to attend the meeting of him/her behalf. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.
2. The beneficial owner of the shares of the company in the central depository system of the CDC or his/her proxy entitled to attend this meeting shall produce his/her original CNIC or passport to prove the identity. CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.
3. Transfer received in order by the close of business hours on November 23, 2016 will be treated in time. The same or any change in address, if any, alongside valid copy of CNIC for filing annual return of company be sent to our share registrar M/s Corp Link (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel. 042-35839182.
4. In terms of SECP's SRO 787(1)/2014, members can now receive audited financial statements alongside notice of AGM electronically through email. Therefore members (physical or CDC shareholders) who are interested in receiving the same are required to send their email addresses and consent for electronic transmission to share registrar of the company or directly to their broker (participant)/CDC investor account services, as the case may be.
5. The company has also placed the audited financial statements for the year ended 30-6-2016 alongside directors and auditor's report thereon on its website www.chakwalspinningmills.com

Directors' Report to the Shareholders

On behalf of the board of directors of the company, I present before you the 29th Annual Report of your company together with Audited Financial Statements for the year ended June 30, 2016.

Financial Performance

During the year under review, the performance of the company was not encouraging as net sales of the company has decreased from Rs.2,112.615 million to Rs.1,057.840 million. The drastic decrease in sales (50%) was mainly due to long recession in international market resulting low market demand of yarn and decrease in sales prices of yarn worldwide. Further, sluggish export market caused most of the spinning units to sell yarn in domestic market which put downward pressure on the prices of yarn. In view of demand and prices of yarn, the company was operated at lower capacity level of almost 60% which also includes a shut down period of 36 days. The profitability eroded due to contraction in production level with wide margin resulting the company experienced a gross loss of Rs.230.599 million compared to gross profit of Rs.34.805 million last year.

The other factors which caused high input cost are high priced raw material, increase in minimum wages and high tariff of energy cost in addition to electricity and gas curtailment. Distribution cost for the year decreased to Rs.13.170 million from Rs.48.579 million last year mainly due to drop in export sales by 87.55% compared to last year. Administrative expenses and finance cost were decreased by 22.33% and 27.99% respectively compared to last year. The company has registered a net loss of Rs.334.736 million compared to net loss of Rs.139.431 million of last year.

The financial results are summarized hereunder:

	June 30, 2016 Rs. In Million	June 30, 2015 Rs. In Million
Sales - net	1,057.846	2,112.615
Gross (Loss)/Profit	(230.599)	34.805
Loss Before Taxation	332.704	131.692
Loss After Taxation	334.736	139.431
Earning Per Share (Rupees)	(8.37)	(3.49)

Future outlook

Spinning industry is the backbone of economy of the country and is playing a pivotal role in strengthening the economy of the country. Presently it is very difficult time for spinning industry due to decline in cotton crop for next year, high cost of production and recession prevailing in both international and domestic markets. As per news from media and promise of Prime Minister of Pakistan, a bale out package for revival of the textile sector is under consideration and will be announced shortly which hopefully may support the industry to save the major contribution sector of the economy.

Going concern assumption

The company has been facing operational losses since last year mainly due to long recession in yarn markets worldwide, severe power crises, high tariff energy cost, dumping of Indian yarn at low prices, instable economic policies and business conditions, unfavourable textile policy which severely affected the textile particularly spinning industry. Resulting, the company has not been able to utilize at an optimal level of capacity resulting the desired profitability level could not be achieved.

The statutory auditors of the company have raised doubts on the company's ability to continue as a going concern as reflected in Note 2.2 in the financial statements. However, these financial statements have been prepared on going concern basis on the grounds that:

- The management is optimistic that the Government will ban the dumping of Indian yarn in our local market as also taken up by APTMA with the concerned government authorities.

- b. Government has started to provide RNLG to textile sector to overcome the energy crises. A bail out package from the government is expected shortly for revival of textile industry.
- c. The directors of the company are fully aware of the affairs of the company and are making their strenuous efforts to improve overall performance of the company. Company has continued financial support from the sponsors in term of interest free loans. During the year they also have injected Rs.42.714 million interest free short term loan.

Board meetings

During the year ended June 30, 2016, four meetings of Board of Directors were held and attendance of Directors was as under:

Mr. Mohammad Tariq Sufi	04 Nos
Khawaja Mohammad Jahangir	04 Nos
Khawaja Mohammad Kaleem	04 Nos
Khawaja Mohammad Jawed	04 Nos
Khawaja Mohammad Tanveer	04 Nos
Khawaja Mohammad Nadeem	04 Nos
Mr. Mohammad Naveed	04 Nos
Mr. Mohammad Aman	04 Nos

Auditors

The present auditors M/S H.A.M.D & Co. Chartered Accountants, being eligible have offered themselves for re-appointment for the next year ending June 30, 2017.

Pattern of shares holders

The information under this head as on June 30, 2016 is enclosed.

Corporate Social Responsibility

The company is fully aware of corporate social responsibilities and supporting the social sector in terms of donations in addition to employees welfare like medical facilities, group life insurance and fair price shops facilities at subsidised rates.

Acknowledgement

The board of directors appreciates continued support of its bankers, creditors and stake holders in addition to dedication and hard work of all the employees of the company.

For and on behalf of the Board

Lahore
November 08, 2016

(KHAWAJA MOHAMMAD KALEEM)
Director

ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2016 کے اختتام شدہ مالی سال کے جائزہ پرنٹل شدہ حسابات پیش کرتا ہوں۔

مالیاتی کارکردگی

زیر جائزہ سال کے دوران کمپنی کی سیکلر میں 2,112.615 ملین روپے سے 1,057.840 ملین روپے کی وجہ سے کمپنی کی کارکردگی حوصلہ افزا نہیں رہی۔ سیکلر میں 50% کی شدید کمی کی بنیادی وجہ بین الاقوامی مارکیٹ میں لمبے عرصے سے مراعات ہے جس کی وجہ سے دنیا بھر کی مارکیٹوں میں دھماگے کی طلب اور قیمتوں میں کمی ہے۔ علاوہ ازیں، سست رو ایکسپورٹ مارکیٹ زیادہ تر سپلائی یونٹس کو مقامی مارکیٹ میں دھماکا بیچنے کی وجہ بنی جس کی وجہ سے مقامی مارکیٹ میں دھماگے کی قیمتوں میں اتار دیا گیا۔ دھماگے کی طلب اور قیمتوں کو مد نظر رکھتے ہوئے، کمپنی کو 60% کی پیداواری استعداد پر چلنا پڑا جس کے دوران 36 دن کے لئے مل بھی بند رہی۔ پیداواری پیمانے کی بڑے فرق کے ساتھ بندش کی وجہ سے منافع ختم ہو گیا جس کے نتیجے میں کمپنی کو پچھلے سال کے 34.805 ملین روپے کے مجموعی منافع کے مقابلے میں 230.599 ملین روپے کا مجموعی نقصان اٹھانا پڑا۔

دیگر عوامل جو زیادہ پیداواری لاگت کی وجہ بنے وہ زیادہ مہنگا خام مال، کم از کم گھڑاؤ کی حد میں اضافہ اور بجلی اور گیس کی بندش کے علاوہ زیادہ قیمت والی توانائی ہیں۔ گزشتہ سال کے مقابلے میں ایکسپورٹ سیکلر میں 87.55% کمی کی وجہ سے پچھلے سال کے برعکس اس سال ڈسٹری بیوٹن لاگت 48.579 روپے سے کم ہو کر 13.170 ملین روپے ہو گئی۔ گزشتہ سال کے مقابلے میں انتظامی اور مالی اخراجات بالترتیب 22.33% اور 27.99% کم ہوئے۔ کمپنی کا گزشتہ سال کے 139.431 ملین روپے کے خالص نقصان کے مقابلے میں 334.736 ملین روپے کا خالص نقصان ریکارڈ کیا گیا۔

مالیاتی نتائج کا خلاصہ درج ذیل ہے:

2015	2016	
		ملین روپوں میں
2,112.846	1,057.846	سیکلر۔ خالص
34.805	(230.599)	مجموعی (نقصان) منافع
131.692	332.704	قبل از ٹیکس نقصان
139.431	334.736	بعد از ٹیکس نقصان
(3.49)	(8.37)	فی حصص نقصان (روپے)

مستقبل کے امکانات

سپننگ انڈسٹری ملکی معیشت میں بڑھتی ہوئی کی وجہ سے اور ملکی معیشت کو مضبوط بنانے میں مرکزی کردار ادا کر رہی ہے۔ اس وقت سپننگ انڈسٹری پر اگلے سال میں کپاس کی پیداوار میں کمی، زیادہ پیداواری لاگت اور بین الاقوامی اور ملکی مارکیٹ میں جاری مراعات کی وجہ سے بہت مشکل وقت ہے۔ میڈیا کی خبروں اور وزیراعظم پاکستان کے وعدے کے مطابق ٹیکسٹائل سیکٹر کو بحران سے نکالنے کے ایک بحالی پیکج زیر غور ہے جس کا جلد اعلان متوقع ہے۔ اس سے انڈسٹری جس کا پاکستانی معیشت میں مرکزی حصہ ہے کو سنبھالنے میں مددگار ہونے کی امید ہے۔

کاروبار جاری رہنے کی وضاحت

کمپنی گزشتہ سال سے آپریشنل خسارے کا سامنا ہے جسکی بنیادی وجوہات دنیا بھر میں دھماگے کی منڈیوں میں جاری مراعات، توانائی کا شدید بحران، توانائی لاگت کے زیادہ نرخ، ہندوستانی دھماگے کی کم قیمتوں پر بھر مار اور تاجرانہ معاشی پالیسیاں اور کاروباری حالات، غیر منصفانہ ٹیکسٹائل پالیسی ہیں جنہوں نے ٹیکسٹائل بالخصوص سپننگ انڈسٹری کو بری طرح متاثر کیا ہے۔ اس کے نتیجے میں کمپنی اپنی پیداواری استعداد کو مطلوبہ حد پر نہ چلا سکی جس کی وجہ سے کمپنی منافع کمانے کی حدت حاصل کر سکی۔

کمپنی کے قانونی محاسب نے کمپنی کی کاروبار جاری رکھنے کی صلاحیت پر شکوک کا اظہار کیا ہے جیسے کہ مالی رپورٹس کے نوٹ نمبر 2.2 میں ظاہر کیا گیا ہے۔ تاہم یہ مالی رپورٹس کاروبار جاری و ساری رہنے کی بنیاد پر تیار کی گئی ہیں جن کے سبب مندرجہ ذیل ہیں۔

- (ا) کمپنی بہت پر امید ہے کہ حکومت ہندوستانی دھماکے کی مقامی منڈی میں دستیابی پر پابندی لگائے گی جس طرح اچھے نکلوتے بااقتدار لوگوں کے ساتھ معاملہ اٹھایا ہوا ہے۔
- (ب) حکومت نے توانائی بحران پر قابو پانے کے لئے ٹیکنالوجی کو آراین ایل جی کی سپلائی شروع کر دی ہے۔ حکومت کی طرف سے ٹیکنالوجی کی بحالی کے لیے امدادی چیلنج جلد متوقع ہے۔
- (ج) کمپنی کے ڈائریکٹران کمپنی کے معاملات سے پوری طرح آگاہ ہیں اور کمپنی کی مجموعی کارکردگی کو بہتر بنانے کے لئے سرگرم کوشش کر رہے ہیں۔ کمپنی کو سپائسرز کی طرف سے جاسوڈر ضلع کی شکل میں مسلسل مالی حمایت حاصل ہے۔ سال کے دوران انہوں نے 42.714 ملین روپے کا جاسوڈر گیل ملحق قرضہ فراہم کیا ہے۔

بورڈ کے اجلاس

30 جون 2016 کو ختم ہونے والے سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس ہوئے اور ڈائریکٹرز کی حاضری اس طرح رہی۔

صوفی محمد طارق	۳۳ دن
خواجہ محمد جہانگیر	۳۳ دن
خواجہ محمد کلیم	۳۳ دن
خواجہ محمد جاوید	۳۳ دن
خواجہ محمد تنویر	۳۳ دن
خواجہ محمد ندیم	۳۳ دن
مسٹر محمد نوید	۳۳ دن
مسٹر محمد ایمان	۳۳ دن

محاسب

موجودہ محاسب ایم ایس ایچ۔ اے۔ ایم۔ ڈی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کے ۳۰ جون 2017 کو ختم ہونے والے سال کے لئے دوبارہ مہر دہی کے لئے اپنی خدمات پیش کی ہیں۔

حصہ داروں کا نمونہ

30 جون 2016 کی تاریخ میں مطلوبہ تفصیل لف ہے۔

منظم سماجی ذمہ داری

کمپنی اپنی منظم سماجی ذمہ داریوں سے مکمل طور پر آگاہ ہے اور سماجی سکٹر میں عطیات کی شکل میں مدد کرتی ہے۔ مزید برآں ملازمین کی بھلائی جس طرح کہ طبی سہولیات، مجموعی پیسہ پالیسی اور ازراں زخموں پر فیمبر پرائس شاپ کی سہولت، کے لئے کام کر رہی ہے۔

اعتراف

بورڈ آف ڈائریکٹرز بینکرز، قرض خواہوں، دیگر حلقوں کی مزید برآں اپنے ملازمین کی نگاہ اور محنت کی قدر کرتا ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے

خواجہ محمد کلیم
ڈائریکٹر

لاہور نومبر 2016، 08

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 35 of listing regulations of both Karachi Stock Exchange and Lahore Stock Exchange 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.(CCG)

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes -

Category		Names
Independent Director	1.	Mr. Mohammad Tariq Sufi
Executive Directors	1.	Khawaja Mohammad Jahangir
	2.	Khawaja Mohammad Kaleem
Non Executive Directors	1.	Khawaja Mohammad Javed
	2.	Khawaja Mohammad Tanveer
	3.	Khawaja Mohammad Nadeem
	4.	Mr. Mohammad Naveed
	5.	Mr. Mohammad Aman

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.(excluding the listed subsidiaries of listed holding companies wherever applicable)
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 NBFIs, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
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 condition of employment of the Chief Executive and other working director(s) have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chief Executive or in his absence other director elected by the board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors at Chakwal Spinning Mills Board are fully conversant with their duties and responsibilities as Director of corporate bodies. The Chief Executive recommends that the members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.

10. The Board has already approved appointment of Chief Financial Officer, Company Secretary and Internal Auditor, their remuneration and terms & conditions of employment.
11. The director's report for this has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee, It comprises of three members, of whom all are non executive directors and the chairman of the committee is also from non executive director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of references of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration committee; It comprises of three members, including the CEO and the non executive directors while the chairman of the committee is a non executive director.
18. The Board has set up an effective internal audit department which is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed period" prior to the announcement of interim/final results and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore
November 08, 2016

(KHAWAJA MOHAMMAD KALEEM)
Director

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **CHAKWAL SPINNING MILLS LIMITED** (the Company) to comply with the requirements of Listing Regulation No. 35 of Pakistan Stock Exchange where the company is listed.

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

As 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 required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

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

Lahore
Dated: November 08, 2016

H.A.M.D & Co.
Chartered Accountants

Engagement Partner: Waseem Ashfaq

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHAKWAL SPINNING MILLS LIMITED** ("the Company") as at June 30, 2016 and related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984.
- b) In our opinion
 - (I) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (II) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (III) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) In our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to note 2.2 to the financial statements which refers to the fact that the Company has incurred gross loss of Rs. 230.59 million and loss after taxation of Rs. 334.74 million during the year ended June 30, 2016. As at June 30, 2016, the Company has accumulated losses of Rs. 249.31 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 591.28 million. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis for reasons explained in note 2.2. Our opinion is not qualified in respect of this matter.

Lahore
Dated: November 08, 2016

H.A.M.D & Co.
Chartered Accountants

Engagement Partner: Waseem Ashfaq

Balance Sheet

	Note	2016 Rupees	2015 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital:			
100,000,000 (2014: 100,000,000 of Rs.05/- each) ordinary shares of Rs.5/- each		500,000,000	500,000,000
Issued, subscribed and paid up share capital	3	200,000,000	200,000,000
Loan from Directors (subordinated)	4	271,256,000	271,256,000
Accumulated Profit / (Loss)		(249,314,434)	78,862,703
		221,941,566	550,118,703
Surplus on Revaluation of Property, Plant and Equipment	5	175,803,662	184,222,910
Liabilities Against Asset Subject to Finance Lease	6	-	6,097,434
Non Current Liabilities			
Deferred liabilities	7	70,303,010	84,650,590
Current Liabilities			
Trade and other payables	8	529,972,857	520,504,028
Accrued mark- up	9	6,239,517	8,078,474
Short term borrowings	10	461,681,029	375,665,038
Current portion of non current liabilities	7	6,800,146	5,727,696
Provision for taxation	11	9,263,058	15,744,853
		1,013,956,607	925,720,089
Contingencies and Commitments	12	-	-
		1,482,004,844	1,750,809,726

The annexed notes 1 to 43 form an integral part of these financial statements.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

Lahore
November 08, 2016

(Khawaja Mohammad Kaleem)
Director

AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	13	1,043,624,762	1,126,705,782
Capital Work In Progress - Building	14	1,259,810	802,386
		1,044,884,572	1,127,508,168
Long term loans	15	6,151,146	7,129,250
Long term deposits	16	8,297,191	9,622,191
		14,448,337	16,751,441
Current Assets			
Stores and spares	17	8,476,966	11,756,974
Stock in trade	18	133,050,685	342,924,309
Trade debts	19	109,817,294	54,209,558
Loans and advances	20	168,619,388	187,200,724
Trade deposits, prepayments and other receivables	21	966,840	6,517,759
Cash and bank balances	22	1,740,763	3,940,793
		422,671,936	606,550,117
		1,482,004,844	1,750,809,726

(Khawaja Mohammad Tanveer)
Director

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

		2016	2015
	Note	Rupees	Rupees
Sales	23	1,057,846,192	2,112,614,812
Cost of sales	24	(1,288,444,925)	(2,077,809,676)
Gross (Loss) / Profit		(230,598,733)	34,805,136
Distribution cost	25	(13,170,329)	(48,578,990)
Administrative expenses	26	(56,591,136)	(72,863,490)
		(69,761,465)	(121,442,480)
Operating Loss		(300,360,198)	(86,637,344)
Finance cost	27	(30,935,449)	(42,958,014)
Other operating expenses	28	(2,645,900)	(2,904,840)
Other operating Income	29	1,237,339	808,353
Loss before Taxation		(332,704,208)	(131,691,845)
Taxation	30	(2,031,966)	(7,739,309)
Loss after Taxation		(334,736,174)	(139,431,154)
(Loss) / Earnings per Share - Basic & Diluted	31	(8.37)	(3.49)

The annexed notes 1 to 43 form an integral part of these financial statements.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

Lahore
November 08, 2016

(Khawaja Mohammad Kaleem)
Director

(Khawaja Mohammad Tanveer)
Director

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

		2016	2015
	Note	Rupees	Rupees
Loss after taxation		(334,736,174)	(139,431,154)
Other comprehensive income for the year		-	-
Items that will not be reclassified to Profit or loss			
Remeasurment of net defined benefit liability	7.1.3	511,729	1,146,194
Total comprehensive Income for the year		<u>(334,224,445)</u>	<u>(138,284,960)</u>

The annexed notes 1 to 43 form an integral part of these financial statements.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

Lahore
November 08, 2016

(Khawaja Mohammad Kaleem)
Director

(Khawaja Mohammad Tanveer)
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

	2016	2015
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(332,704,208)	(131,691,845)
Adjustments for:		
- Depreciation	69,846,688	69,884,057
- Provision for gratuity	(64,108)	9,179,049
- Loss / (Gain) on disposal of property, plant and equipment	501,430	(808,353)
- Assets written off	-	2,211,780
- Interest Income	(2,670)	-
- Finance cost	30,935,449	42,958,014
	<u>101,216,789</u>	<u>123,424,547</u>
Operating loss before working capital changes	(231,487,419)	(8,267,299)
- Stores and spares	3,280,008	3,903,673
- Stock in trade	209,873,624	(47,989,905)
- Trade debts	(55,607,736)	36,762,510
- Loans and advances	14,487,566	2,525,234
- Trade deposits, prepayments, accrued Interest and other receivables	5,550,919	7,252,544
Increase / (decrease) in current liabilities		
- Trade and other payables	7,811,965	136,329,480
	<u>185,396,346</u>	<u>138,783,536</u>
Cash (used in) / generated from operations	(46,091,073)	130,516,237
Finance cost paid	(32,774,406)	(44,525,702)
Gratuity paid	(14,283,473)	(7,032,117)
Long term advance	-	(2,000,000)
Income tax paid	(4,623,336)	(14,895,134)
	<u>(97,772,288)</u>	<u>62,063,284</u>
Net cash from / (used in) Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(571,100)	(83,632,348)
Capital Work in Progress	(457,424)	13,040,011
Long term loans	978,104	(1,617,750)
Long term deposits	1,325,000	(825,000)
Proceeds from disposal of property, plant and equipment	13,304,000	7,618,846
Interest received	2,670	-
	<u>14,581,250</u>	<u>(65,416,241)</u>
Net Cash from / (used in) Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	86,015,991	3,401,525
Liabilities against subject to finance lease	(5,024,984)	(5,349,410)
Dividend paid	-	(312,053)
Net Cash from / (used in) Financing Activities	<u>80,991,007</u>	<u>(2,259,938)</u>
Net Decrease in Cash and Cash Equivalents	(2,200,030)	(5,612,895)
Cash and cash equivalents at the beginning of the year	3,940,793	9,553,688
	<u>1,740,763</u>	<u>3,940,793</u>

The annexed notes 1 to 43 form an integral part of these financial statements.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

Lahore
November 08, 2016

(Khawaja Mohammad Kaleem)
Director

(Khawaja Mohammad Tanveer)
Director

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

	Paid Up Share Capital	Accumulated Profit / (Loss)	Loan from Directors	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2014	200,000,000	211,166,140	271,256,000	682,422,140
Total comprehensive Income for the Year ended June 30, 2015		(138,284,960)		(138,284,960)
Interim dividend		(475,592)		(475,592)
Remeasurement of net defined benefit liability		(1,146,194)		(1,146,194)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax		7,603,309		7,603,309
Balance as at June 30, 2015	200,000,000	78,862,703	271,256,000	550,118,703
Total comprehensive Income for the Year ended June 30, 2016		(334,224,445)		(334,224,445)
Remeasurement of net defined benefit liability		(511,729)		(511,729)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax		6,559,037		6,559,037
Balance as at June 30, 2016	200,000,000	(249,314,434)	271,256,000	221,941,565

The annexed notes 1 to 43 form an integral part of these financial statements.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

Lahore
November 08, 2016

(Khawaja Mohammad Kaleem)
Director

(Khawaja Mohammad Tanveer)
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. THE REPORTING ENTITY

The Company was incorporated in Pakistan on January 31, 1988 as a Public Limited Company. Its shares are quoted on Pakistan Stock Exchanges Limited. The registered office of the Company is situated at Kashana-e-Yousaf, Khawaja Street, Chakwal. The Company is engaged in the business of textile spinning, knitting, fabrics processing and garment stitching.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 shall prevail.

2.2 Appropriateness of the Going Concern Assumption

The Company has been facing operational losses since the previous year mainly due to long recession in yarn markets worldwide, the severe power crises, high tariff energy cost, dumping of Indian yarn at low prices along with other factors, including economic instability and unfavourable textile policy of the Government, affecting the textile industry, particularly spinning industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As a result, the Company has incurred gross loss of Rs.230.598 million and loss after taxation of Rs.334.736 million during the year. The Company has accumulated losses of Rs.249.314 million as at the reporting date. Its current liabilities exceed its current assets by Rs.591.284 million. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

- (a) Management is optimistic that the government will ban the dumping of Indian yarn in our local markets to help the local industry. Meanwhile the textile sector, through APTMA forum has also forwarded a petition to impose anti-dumping and anti-subsidy duty on Indian yarn.
- (b) Government has started to provide RNLG to textile sector to overcome the energy crises. A bale out package from the government is expected shortly for revival of textile industry.
- (c) The directors/sponsors continued to support the Company in the form of interest free loans. During the year, the sponsors provided financial support amounting to Rs. 42.714 million in the form of short term borrowing to meet the working capital requirements of the company (see note 10.3). Further, the sponsor have already given long term loan to be paid at the discretion of the entity (see note 4).
- (d) The management expects continued support of its bankers in providing financial support to the Company (see note 10.1).
- (e) The Company has drawn up cost cutting planning aimed at curtailing/reducing fixed costs and rationalizing variable costs.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except certain property, plant and equipment that have been stated at revalued amount and retirement benefits which have been recognized at present value determined by actuary. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.4 Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

2.4.1 Staff retirement benefits

Certain actuarial assumption has been adopted as disclosed in note 2.4.5 of the financial statements for valuation of present value of defined benefit obligations.

2.4.2 Depreciation method, rates and useful lives of operating fixed assets

The Company has made certain estimations with respect to residual value and depreciable lives of property, plant and equipment. The Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

2.4.3 Taxation

In making the estimates for income taxes payable by the Company, the management considers current income tax law and the decisions of appellate authorities on certain cases issued in past.

2.4.4 Provisions

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

2.4.5 Staff retirement benefits

The company operates an unfunded and unapproved gratuity scheme for its employees, which is a defined benefit plan based upon the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation at the end of the year. The valuation in these accounts is worked out on the Projected Unit Credit Actuarial Cost method.

Any actuarial gains and losses are recognized immediately in the statement of other Comprehensive Income.

2.4.6 Net realizable values of stock in trade

The company estimates net realizable values of its stock in trade as the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

2.4.7 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

2.5 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE IN CURRENT YEAR

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures.

- IFRS 10 - Consolidated Financial Statements (2011)
- IFRS 11 - Joint Arrangements (2011)
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement (2011)
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities : Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)
- Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities)

2.6 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

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

		Effective date (annual reporting periods beginning on or after)
IFRS-2	Share-based Payments (Amendments)	1-Jan-18
IFRS-4	Insurance Contracts (Amendments)	1-Jan-18
IFRS-9	Financial Instruments	1-Jan-18
IFRS-15	Revenue from Contracts with Customers	1-Jan-18
IFRS-16	Leases	1-Jan-19
IAS-7	Statement of Cash Flows (Amendments)	1-Jan-17
IAS-12	Income Taxes (Amendments)	1-Jan-17

The management anticipates that adoption of above standards, amendments and Interpretations in future periods will have no material impact on the Company's financial statements other than in presentation / disclosures

Further, the following new standards and Interpretations have been issued by the International Accounting Standards Board (IASB), which have not been notified upto June 30, 2016 by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

IFRS-1 First-time adoption of International Financial Reporting standards
 IFRS-9 Financial Instruments -Classification and Measurement
 IFRS-14 Regulatory Deferral Accounts
 IFRS-15 Revenue from Contracts with Customers
 IFRS-16 Leases

The following Interpretations issued by the IASB have been waived off by SECP:

IFRIC 4 Determining whether an arrangement contains a lease
 IFRIC 12 Service concession arrangements

2.7 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2.7.1 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost / revalued amount less accumulated depreciation and identified impairment losses except free hold land that is stated at cost. Cost of property, plant and equipment consist of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 13. Depreciation on all additions is charged from the month the asset is ready for the intended use and on disposals is charged upto the month in which the asset is disposed off.

Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gain or loss on disposal of property, plant and equipment are included in the current year income.

Leased assets

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of such assets. The related obligations under the lease are accounted for at net present value of liabilities. The assets so acquired are depreciated over their expected useful life at the same rates and basis as of owned assets given in Note 13. The depreciation is charged to current year's income.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

2.7.2 Stocks and stores

These are valued at lower of cost and net realisable value. Costs are determined using the following basis:

Stores and spare parts	- at moving average cost
Raw materials	- at average cost
Work in process	- at manufacturing cost using average cost method
Finished goods	- at average manufacturing cost
Goods in transit	- at cost comprising invoice value plus other charges incurred thereon.

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labour and appropriate manufacturing overheads.

Net realizable value signifies estimated selling price in the ordinary course of business less necessary cost to make the sale.

2.7.3 Trade debts

All outstanding receivables are reviewed at the balance sheet date. The Company recognizes and carries these receivables at original invoice amount less an allowance for any uncollectible amounts, if any. Bad debts, if any, are written off as incurred and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

2.7.4 Foreign currency transactions and translation

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the balance sheet date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in income currently.

2.7.5 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cheques in hand and deposits with banks.

2.7.6 Financial instruments

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

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

2.7.7 Related party transactions

Transactions with related parties are made at arm's length prices using comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

2.7.8 Financial Assets and Liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and are de-recognized, in case of financial assets when the Company loses control of the contractual rights through either realization, surrender or expiration and in case of financial liability on extinguishments, discharge, cancellation or expiration of obligation specified in the contract.

Financial assets include investments, cash and bank balance, trade debts, advances, deposits and other receivables. Trade debts are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, while other financial assets are stated at cost. Any gain or loss on the recognition and derecognition of the financial assets is included in the net profit and loss for the period in which it arises.

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include creditors, accrued and other liabilities and unclaimed creditors, accrued and other liabilities and unclaimed dividend are stated at their nominal value. Financial charges are accounted for on accrual basis. Any gain or loss on the recognition and derecognition of the financial liability is included in the net profit and loss for the period in which it arises.

2.7.9 Trade and other payables

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

2.7.10 Taxation

Current

Charge for taxable income is based at current tax rates after taking into account all tax credits and rebates available, if any. In case of taxable loss higher of minimum tax u/s 113 and presumptive tax u/s 154 of the Income Tax Ordinance, 2001 is provided in the accounts.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets, as required by IAS-12 (Income Taxes), are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

2.7.11 Borrowing Cost

Borrowing costs are charged to income as and when incurred except to the extent costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of asset.

2.7.12 Offsetting of Financial Assets and Financial Liabilities

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

2.7.13 Dividend

Dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

2.7.14 Functional and presentation currency

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

2.7.15 Revenue recognition

- Revenue from local sales is recognized on despatch of goods to customers and from exports at the time of bill of lading.
- Dividend income is accounted for when the right to receive dividend has been established.
- Profit / Interest is accounted for on accrual basis.
- Rebates are accounted for as and when allowed.

Note 3

Issued, Subscribed and Paid up Capital

2016	2015		2016	2015
No. of shares			Rupees	Rupees
40,000,000	40,000,000	Ordinary shares of Rs. 5 each (2015 : Rs. 5) fully paid in cash.	200,000,000	200,000,000

- 3.1** The paid up Capital of the company was reduced to the extent of 50% i.e. Rs. 200 million during the year 2013 by cancelling the issued and paid up capital of the company which has been lost are un- presented by its valuable assets as per orders of honorable Lahore High Court, Lahore vide CO No.54/2011 duly acknowledged by Securities and Exchange Commission of Pakistan.

Note 4

Loan from related parties

	2016	2015
	Rupees	Rupees
Loan from directors	271,256,000	271,256,000

- 4.1** The directors have injected unsecured and interest free loans for the repayment of liabilities of the banks and BMR of the Company. The loan is repayable at the discretion of the company and are subordinated to facilities obtained from M/S Habib Metropolitan Bank Ltd. & The Bank of Punjab. In line with Technical Release - 32 (TR 32 - Accounting Directors' Loan) issued by the Institute of Chartered Accountants of Pakistan (ICAP), these loans are shown as part of equity and corresponding figures have accordingly been reclassified. Previously, these loans were shown after equity as a separate line item.

Note 5

Surplus on Revaluation of Property Plant and Equipment

	Note	2016	2015
		Rupees	Rupees
Free hold Land			
Balance as at July 01	5.1	69,510,708	69,510,708
Building on free hold Land			
Balance as at July 01	5.1	52,967,471	58,852,746
Related deferred tax	5.2	(1,195,642)	(1,029,923.00)
Incremental depreciation charged on revalued plant and machinery			
In current year transferred to retained earnings		(4,101,105)	(4,855,352.00)
		47,670,724	52,967,471
Plant and machinery			
Balance as at July 01	5.1	61,039,446	64,252,048
Related deferred tax	5.2	(649,559)	(530,079)
Incremental depreciation charged on revalued plant and machinery			
In current year transferred to retained earnings		(2,402,414)	(2,682,523)
		57,987,474	61,039,446
Power house			
Balance as at July 01	5.1	705,285	783,650
Related deferred tax	5.2	(15,011)	(12,930)
Incremental depreciation charged on revalued plant and machinery			
In current year transferred to retained earnings		(55,518)	(65,435)
		634,757	705,285
		175,803,662	184,222,910

- 5.1** This represents surplus resulting from revaluation of freehold land, building and plant & machinery carried out on June 27, 2014 by Messrs Material & Design Services (pvt) Limited, an independent valuer on prevailing market prices.
- 5.2** This represents amount transferred (to)/from deferred tax liability due to change in proportion of local and export sales that has resulted in change in estimate of deferred tax on surplus on revaluation of property, plant and equipment.

Note 6

Liabilities against Assets Subject to Finance Lease

	2016			2015		
	Minimum Lease Payments	Finance Charges Value	Principal	Minimum Lease Payments	Finance Charges Value	Principal
Not later than one year	7,294,551	494,405	6,800,146	7,294,551	1,197,117	6,097,434
Later than one year and not later than five years	-	-	-	6,078,793	351,097	5,727,696
	<u>7,294,551</u>	<u>494,405</u>	<u>6,800,146</u>	<u>13,373,344</u>	<u>1,548,214</u>	<u>11,825,130</u>

- 6.1** This represents lease of Auto Cone with Habib Metropolitan Bank Ltd. The principal amount of lease comes to Rs. 18 million carry mark-up @ 13.16% repayable in 36 equal monthly installments. The first installment was due on 18-05-2014 and last installment is due on 18-05-2017

Note 7

Deferred Liabilities

	Note	2016 Rupees	2015 Rupees
Gratuity payable	7.1	22,296,928	36,644,508
Long term deposit	7.2	48,006,082	48,006,082
		<u>70,303,010</u>	<u>84,650,590</u>

7.1 Staff Gratuity-Defined Benefit Plan

The Company operates unfunded gratuity scheme for its employees that pays a lump sum gratuity to members on leaving company's service after completion of one year of continuous service. The future contribution rates of the scheme include allowances for deficit and surplus. Projected unit credit method based on the following significant assumptions used for valuation of this scheme. The latest actuarial valuation was carried out by TRT Associates as on June 30, 2016.

	2016 Rupees	2015 Rupees
7.1.1 Present value of defined benefit obligation	<u>22,296,927</u>	<u>36,644,508</u>
7.1.2 The amounts recognised in the profit and loss account and balance sheet are as follows:		
Current service cost	(2,355,142)	6,686,070
Interest cost	2,802,763	3,639,173
	<u>447,621</u>	<u>10,325,243</u>
7.1.3 Changes net in liability recognized in the balance sheet		
At the beginning of the year	36,644,508	34,497,576
Amount recognised during the year - as shown	447,621	10,325,243
Benefits payments	(14,283,473)	(7,032,117)
Remeasurements chargeable in other comprehensive Income	(511,729)	(1,146,194)
	<u>22,296,927</u>	<u>36,644,508</u>

	Note	2016 Rupees	2015 Rupees
7.1.4 Allocation of charge for the year			
Cost of sales	24.2	(432,167)	6,686,070
Administrative expenses	26.1	879,788	3,639,173
		<u>447,621</u>	<u>10,325,243</u>
		2016	2015
Discount rate		7.25%	9.50%
Expected rate of Increase in salary		6.25%	8.50%
Average expected remaining working life of Employees		9 years	7 years
Mortality Rates		SLIC 2001-2005	SLIC 2001-2005
Withdrawal Rates		Setback 1 year	Setback 1 year
Retirement assumption		Age-Based (per appendix) 60 years age	Age-Based (per appendix) 60 years age

7.2 This represents an interest free and unsecured long term advance received from a customer against the exclusive sale commitment of a particular quality of waste to him for a period of six years. The same has been extended / renewed for a further period of five years and shall be adjusted in the year 2017 or shall be extended / renewed for a further term as mutually agreed between the parties.

Note 8

Trade and Other Payables

	Note	2016 Rupees	2015 Rupees
Creditors			
- Secured		-	34,156,246
- Unsecured	9.1	288,213,614	337,673,401
Accrued liabilities		132,574,799	112,944,173
Other liabilities		6,202,956	1,947,974
Advances from customers		89,492,116	30,745,220
Dividend payable		384,347	384,347
Income tax payable		4,309,532	2,652,666
Sales Tax Payable		8,795,493	-
Workers' (profit) participation fund		-	-
		<u>529,972,857</u>	<u>520,504,027</u>

8.1 This includes an amount of Rs. 1,956,933 (2015: Rs. 1,356,932) due to Kohinoor Spinning Mills Ltd and Rs. 10,276,340 (2015 : Rs.112,740) due Chakwal Textile Mills Ltd. associated undertaking as at June 30, 2016

8.2 Workers' (profit) participation fund

Opening balance	-	3,309,873
Contribution for the year	-	-
	-	3,309,873
Payment during the year	-	(3,309,873)
	-	-

Note 9

Accrued Interest / Mark- up

	Note	2016 Rupees	2015 Rupees
Accrued mark up / Interest on:			
- Short term borrowings from banking companies		6,239,517	8,078,474
		<u>6,239,517</u>	<u>8,078,474</u>

Note 10

Short Term Borrowings

	Note	2016 Rupees	2015 Rupees
Banking companies - Secured			
Running / cash finance	10.1	358,137,853	323,075,541
Unpresented cheques	10.2	8,822,582	583,276
Related parties - Unsecured			
Loan from directors and others	10.3	94,720,594	52,006,221
		<u>461,681,029</u>	<u>375,665,038</u>

10.1 These represent utilized portion of short term finance facilities of Rs. 350 million (2015: Rs. 350 million) available from various banks under mark up arrangements. These are secured against pledge of cotton bales, yarn, synthetic / polyester fiber of appropriate value, lien over export L/Cs, 1st charge of Rs.400 million over property, plant & equipment and personal guarantees of directors. Mark-up on the above facilities ranges from 3 months Kibor plus 2% per annum, payable quarterly. These facilities shall expire on September 30, 2016 and are in the process of renewal.

10.2 This represents cheques issued in excess of bank balance that have not been presented at the balance sheet date but have been cleared subsequently.

10.3 These are un-secured and interest free funds obtained from the directors to meet the working capital requirements of the Company. These loans are repayable on demand.

Note 11

Provision for Taxation - Net

	Note	2016 Rupees	2015 Rupees
Balance at the beginning of the year		15,744,853	7,118,745
Provision for the year		10,639,347	21,332,556
Prior year adjustment		-	370,887
		26,384,200	28,822,187
Paid / adjusted during the year		(17,121,142)	(13,077,334)
Balance at the end of the year		9,263,058	15,744,853

11.1 Assessments upto and including tax year 2015 have been finalized by deeming provisions of the Income Tax Ordinance, 2001.

Note 12

Contingencies and Commitments

12.1 Contingencies

The Company has provided bank guarantee in favour of Sui Northern Gas Pipelines Limited amounting to Rs.38.522 million (2015: Rs.38.522 million) on account of payment of dues against consumption of natural gas.

Tax liability for Rs.4,870,776 (2015:Rs. 4,870,776) has been demanded by the concerned assessing officer for the various assessment years against which company has filed appeals. No provision for this amount has been made because the management is confident that the decision shall be in favour of the company.

12.2 Commitments

Commitments for:

- Purchase of raw materials (Local)
- Purchase of raw materials (Import)

2016	2015
Rupees in million	
-	28.800
-	5.900

Note 13
Property, Plant and Equipment

PARTICULARS	2016							
	Freehold land	Factory Buildings on free hold land	Colony Buildings on free hold land	Plant & Machinery	Power House	Tools & equipment	Office equipment	Furniture and fixtures
COST								
Balance as at July 01, 2015	74,520,000	355,186,145	96,000,015	1,211,795,669	145,949,264	5,166,005	1,699,363	2,872,365
Additions	-	-	-	925,000	-	-	-	46,100
Deletions	-	-	-	(8,474,459)	-	-	-	-
Transfer / Adjustment	-	-	-	-	-	-	-	-
Balance as at June 30, 2016	74,520,000	355,186,145	96,000,015	1,203,306,209	145,949,264	5,166,005	1,699,363	2,918,465
DEPRECIATION								
Balance as at July 01, 2015	-	167,165,921	20,139,393	592,487,218	59,643,790	1,315,844	680,090	1,004,827
Charge for the year	-	13,812,952	7,198,423	35,401,897	8,630,049	387,100	100,829	110,594
Transfer / Adjustment	-	-	-	-	-	-	-	-
Deletions	-	-	-	(2,034,354)	-	-	-	-
Balance as at June 30, 2016	-	180,978,873	27,337,816	625,889,005	68,273,840	1,702,944	780,919	1,115,421
Written Down Value as at June 30, 2016	74,520,000	174,207,272	68,662,199	577,417,204	77,675,424	3,463,060	918,444	1,803,044
Notes %	-	107%	107%	97% & 107%	107%	107%	107%	107%
LEASSED								
COST								
PLANT AND MACHINERY								
Balance as at July 01, 2015	-	-	-	24,392,205	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Deletions	-	-	-	-	-	-	-	-
Transfer / Adjustment	-	-	-	-	-	-	-	-
Balance as at June 30, 2016	-	-	-	24,392,205	-	-	-	-
Written Down Value as at June 30, 2016	-	-	-	24,392,205	-	-	-	-
Notes %	-	-	-	100%	-	-	-	-
DEPRECIATION								
Balance as at July 01, 2015	-	-	-	1,410,399	-	-	-	-
Charge for the year	-	-	-	1,410,399	-	-	-	-
Transfer / Adjustment	-	-	-	-	-	-	-	-
Balance as at June 30, 2016	-	-	-	2,820,798	-	-	-	-
Written Down Value as at June 30, 2016	-	-	-	21,571,407	-	-	-	-
Notes %	-	-	-	88%	-	-	-	-
OWNED								
COST								
Balance as at July 01, 2014	74,520,000	273,186,129	97,638,116	1,196,054,962	131,843,501	4,772,605	1,209,683	2,872,365
Additions	-	32,000,796	177,497	33,755,652	-	414,000	469,500	-
Deletions	-	-	-	(20,004,786)	-	-	-	-
Transfer / Adjustment	-	-	-	-	-	-	-	-
Balance as at June 30, 2015	74,520,000	305,186,925	97,813,613	1,209,805,828	131,843,501	5,186,605	1,679,183	2,872,365
DEPRECIATION								
Balance as at July 01, 2014	-	167,165,921	20,139,393	592,487,218	59,643,790	1,315,844	680,090	1,004,827
Charge for the year	-	13,812,952	7,198,423	35,401,897	8,630,049	387,100	100,829	110,594
Transfer / Adjustment	-	-	-	-	-	-	-	-
Balance as at June 30, 2015	-	180,978,873	27,337,816	625,889,005	68,273,840	1,702,944	780,919	1,115,421
Written Down Value as at June 30, 2015	74,520,000	174,207,272	68,662,199	577,417,204	77,675,424	3,463,060	918,444	1,803,044
Notes %	-	107%	107%	97% & 107%	107%	107%	107%	107%
LEASSED								
PLANT AND MACHINERY								
Balance as at July 01, 2014	-	-	-	24,392,205	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Deletions	-	-	-	-	-	-	-	-
Transfer / Adjustment	-	-	-	-	-	-	-	-
Balance as at June 30, 2015	-	-	-	24,392,205	-	-	-	-
Written Down Value as at June 30, 2015	-	-	-	24,392,205	-	-	-	-
Notes %	-	-	-	100%	-	-	-	-
DEPRECIATION								
Balance as at July 01, 2014	-	-	-	1,410,399	-	-	-	-
Charge for the year	-	-	-	1,410,399	-	-	-	-
Transfer / Adjustment	-	-	-	-	-	-	-	-
Balance as at June 30, 2015	-	-	-	2,820,798	-	-	-	-
Written Down Value as at June 30, 2015	-	-	-	21,571,407	-	-	-	-
Notes %	-	-	-	88%	-	-	-	-

13.2 The depreciation charge for the year has been allocated as under

	2010	2011
Rupees		Rupees
	66,555,489	65,845,951
	3,291,199	4,038,106
	69,846,688	69,884,057

13.3 Detail of Items of Property, plant & equipment Disposed off during the year.

2015

Note 14

Capital Work In Progress

	2016	2015
	Rupees in million	
Capital Work In Progress		
Opening Balance	802,386	13,842,397
Addition during the year	457,424	1,243,268
Less:		
Transferred	-	(14,283,279)
	1,259,810	802,386

14.1 This represent the Construction of Colony building in factory premises.

Note 15

Long Term Loans

		2016	2015
	Note	Rupees	Rupees
Loans to employees - Unsecured and considered good	15.1	6,919,146	7,926,494
Current portion		(768,000)	(797,244)
		6,151,146	7,129,250

15.1 These represent interest free long term loans given to employees (other than chief executive, and directors) as per the policy of the Company, as house building finance.

Note 16

Long Term Deposits

	2016	2015
	Rupees	
Deposits against:		
- Utilities	2,151,246	2,151,246
- Margin on letter of guarantee	6,145,945	7,470,945
	8,297,191	9,622,191

Note 17

Stores and Spares

	2016	2015
	Rupees	
Stores	6,357,725	8,983,504
Spares	2,119,242	2,773,470
	8,476,966	11,756,974

17.1 Stores and spares include items which may result in capital expenditure but are not distinguishable.

Note 18

Stock in Trade

	2016	2015
	Rupees	
Raw materials	79,774,156	254,587,750
Work in process	45,458,786	41,863,970
Finished goods	7,817,742	46,472,589
	133,050,685	342,924,309

18.1 Raw materials and finished goods are under first charge by way of pledge as security for certain short term borrowings (refer to Note 10).

Note 19

Trade Debts

		2016	2015
	Note	Rupees	Rupees
Local - Unsecured and considered good	19.1	109,817,294	53,470,857
Foreign - Secured and considered good		-	4,838,112
		109,817,294	58,308,969
Local - Unsecured and considered doubtful		-	(4,099,411)
Less: Provision for doubtful debts		-	(4,099,411)
		109,817,294	54,209,558

19.1 This includes Rs. 27,000 (2015: Rs. Nil) due from Chakwal Textile Mills Limited, an associated undertakings on account of Processing Charges.

Note 20

Loans and Advances

		2016	2015
	Note	Rupees	Rupees
Current portion of loans to employees	15	768,000	797,244
Advances - Considered good			
- Suppliers and contractors	20.1	131,739,438	147,317,440
- Employees	20.2	1,764,935	2,952,997
- Sales tax and federal excise duty		12,102,567	9,794,825
- Income tax		22,244,448	26,338,218
		168,619,388	187,200,724

20.1 This includes Rs. 83,240,274 (2015: Rs. 83,240,274) due from Yousaf Weaving Mills Limited on account of purchase of raw material.

20.2 Amount due from directors, chief executive and executives of the Company is Nil (2015: Nil)

Note 21

Trade Deposits, Prepayments, Accrued Interest and Other Receivables

	2016	2015
	Rupees	Rupees
Margin against letter of credit	-	5,795,000
Prepayments	959,840	509,588
Other receivables	7,000	213,171
	966,840	6,517,759

Note 22

Cash and Bank Balance

	2016	2015
	Rupees	Rupees
Cash in hand	212,824	125,230
With banks		
- Current accounts	1,527,939	3,815,563
	1,740,763	3,940,793

Note 23

Sales

	2016	2015
	Rupees	Rupees
Local	965,774,234	1,174,214,358
Export	123,592,409	992,766,492
Local - Yarn processing Charges	17,151,673	21,213,279
	<u>1,106,518,316</u>	<u>2,188,194,129</u>
Sales tax	(42,162,062)	(54,819,933)
Commission to selling agents	(6,510,062)	(20,759,384)
	<u>(48,672,124)</u>	<u>(75,579,317)</u>
	<u>1,057,846,192</u>	<u>2,112,614,812</u>

Note 24

Cost of Sales

		2016	2015
	Note	Rupees	Rupees
Raw materials consumed	24.1	723,287,271	1,317,375,497
Fuel and power		183,364,539	297,953,072
Salaries, wages and benefits	24.2	160,948,875	242,982,630
Store and spares consumed		38,680,623	58,911,301
Packing material		31,324,248	64,848,652
Repairs and maintenance		10,450,328	9,226,006
Insurance		5,599,748	5,556,912
Yarn Doubling Charges		33,173,772	22,330,653
Depreciation	13.2	66,555,489	65,845,951
		<u>1,253,384,893</u>	<u>2,085,030,673</u>
Work in process			
- Opening		41,863,970	27,018,495
- Closing		(45,458,786)	(41,863,970)
		<u>(3,594,816)</u>	<u>(14,845,475)</u>
Cost of goods manufactured		<u>1,249,790,077</u>	<u>2,070,185,198</u>
Finished goods			
- Opening stock		46,472,589	54,097,067
- Closing stock		(7,817,742)	(46,472,589)
		<u>38,654,847</u>	<u>7,624,478</u>
		<u>1,288,444,925</u>	<u>2,077,809,676</u>
24.1 Raw materials consumed			
Opening stock		254,587,750	213,818,843
Purchases		549,697,097	1,361,096,675
		<u>804,284,847</u>	<u>1,574,915,518</u>
Sales		(1,223,420)	(2,952,271)
Closing stock		(79,774,156)	(254,587,750)
		<u>723,287,271</u>	<u>1,317,375,497</u>

24.2 This includes Rs. (432,167) (2015: Rs. 6,686,070) in respect of employee benefits - gratuity scheme.

Note 25

Distribution Cost

	2016	2015
	Rupees	Rupees
Export expenses	9,445,459	43,851,957
Freight	3,724,870	4,727,033
	<u>13,170,329</u>	<u>48,578,990</u>

Note 26

Administrative Expenses

		2016	2015
	Note	Rupees	Rupees
Salaries, wages and benefits	26.1	17,437,000	21,596,443
Director' remuneration		12,000,000	6,000,000
Travelling and conveyance		2,410,414	5,178,411
Rent, rates and taxes		2,531,508	2,509,500
Postage, fax and telephone		1,386,672	2,927,461
Repairs and maintenance		3,056,921	2,621,201
Insurance		2,741,783	2,301,669
Utilities		3,200,858	3,559,568
Printing and stationery		990,551	1,720,713
Entertainment		2,467,408	5,783,837
Vehicle running and maintenance		2,978,368	8,230,804
Fees and subscriptions		1,296,346	979,589
Legal and professional charges		596,269	1,236,881
Advertisement and publicity		34,400	56,950
Donations	26.2	153,000	16,700
Provision for doubtful debts		-	4,099,411
Depreciation	13.2	3,291,199	4,038,106
Miscellaneous		18,439	6,246
		<u>56,591,136</u>	<u>72,863,490</u>

26.1 This includes Rs. 879,788 (2015: Rs. 3,639,173) in respect of employee benefits - gratuity scheme.

26.2 None of the directors and their spouses had any interest in any of the donees.

Note 27

Finance Cost

	2016	2015
	Rupees	Rupees
- Finance lease	1,053,796	1,945,125
- Short term borrowings	28,827,900	36,122,415
- Bank charges and commission	1,053,753	4,890,474
	<u>30,935,449</u>	<u>42,958,014</u>

Note 28

Other Operating Expenses

		2016	2015
	Note	Rupees	Rupees
Auditors' remuneration	29.1	700,000	675,000
Loss on disposal of property, plant and equipment		1,736,099	2,211,780
Fine & Penalty		209,801	18,060
		<u>2,645,900</u>	<u>2,904,840</u>
28.1 Auditors' remuneration			
Audit fee		600,000	550,000
Half yearly review and code of corporate governance		100,000	125,000
		<u>700,000</u>	<u>675,000</u>

Note 29

Other Operating Income

		2016	2015
		Rupees	Rupees
Income from non financial assets			
Profit on sale of property, plant and equipment		1,234,669	808,353
Interest Income		2,670	-
		<u>1,237,339</u>	<u>808,353</u>

Note 30

Taxation

		2016	2015
	Note	Rupees	Rupees
Current			
- For the year	30.1	10,639,347	21,332,556
- Prior years		(6,747,170)	370,887
Tax adj		-	(12,391,201)
		<u>3,892,177</u>	<u>9,312,242</u>
Deferred		<u>(1,860,211)</u>	<u>(1,572,933)</u>
		<u>2,031,966</u>	<u>7,739,309</u>

30.1 This represents liability provided under section 113 & 154 of the Income Tax Ordinance 2001 calculated on the basis of gross turnover.

30.2 The Income tax assessment of the company has been finalized upto and including tax year 2015 by deeming provisions of the Income Tax Ordinance 2001.

30.3 Numerical tax reconciliation has not been given since the company is liable to pay minimum tax of 1.0%.

30.4 Deferred tax asset amounting to Rs. 8,092 million (2015 : Rs.117 million) arising mainly due to brought forward losses amounting to Rs. 327 million (2015 : Rs.355 million) has not been recognized in the current year, as the attributable temporary differences are not expected to reverse in the foreseeable future.

Note 31

(Loss) / Earnings per Share

		2016	2015
Loss after taxation	Rupees	(334,736,174)	(139,431,154)
		Number of shares	
Weighted average number of ordinary shares outstanding during the year	Number	40,000,000	40,000,000
(Loss) / Earnings per share - basic	Rupees	(8.37)	(3.49)

31.1 Diluted earnings per share

There is no dilution effect on the basic (Loss) / earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 32

Remuneration of Chief Executive, Directors' and Executives

The aggregate amounts charged in the accounts for the year as remuneration and benefits to the chief executive, directors and executive of the Company are as follows:

	2016		2015	
	Director	Executives	Director	Executives
	Rupees		Rupees	
Managerial Remuneration	8,000,000	5,497,472	4,000,000	5,690,191
House rent allowance	3,200,000	2,198,989	1,600,000	2,276,077
Medical	-	82,483	-	327,184
utilities	800,000	549,747	400,000	569,019
	12,000,000	8,328,991	6,000,000	8,862,471
Number of persons	1	6	1	6

32.1 No fee has been charged by the directors for attending the Board Meetings.

32.2 Executives are defined as employees with basic salary exceeding Rs.500,000.

32.3 Chief Executive, Director and executives are provided with company maintained cars in addition to above.

32.4 Remuneration and Allowances of Chief Executive Rs. Nil (2015: Rs. NIL)

Note 33

Transactions with Related Parties

The related parties comprise associated companies, related group companies, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	2016	2015
	Rupees in million	
Associates		
Purchase of materials (Yousaf Weaving Mills Ltd.)	-	2.145
(Chakwal Textile Mills Ltd.)	28.470	48.941
(Kohinoor Spinning Mills Ltd.)	0.741	-
Sale of materials (Chakwal Textile Mills Ltd.)	4.635	-
Sale of raw materials & Spare parts (Yousaf Weaving Mills Ltd.)	-	0.495
Directors		
Funds (received from) / repaid to directors (net)	(42.714)	17.449

Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method.

Note 34

Financial Risk Management

34.1 The Company has exposures to the following risks from its use of financial instruments:

Market Risk
Credit Risk
Liquidity Risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

a) Market Risk**i) Currency Risk**

Currency risk is the risk that the fair value of 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). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Company's exposure to currency risk was as follows:

	2016	2015
	Rupees in million	
Trade debts	-	4.838
Gross balance sheet exposure	-	4.838
Outstanding letters of credit	-	-
Net exposure	-	4.838

The following significant exchange rates were applied during the year.

Average rate (Rupees per US Dollar)	101.72	98.00
Reporting date rate (Rupees per US Dollar)	104.68	98.75

Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However the company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2016 financial assets include Rs. Nil (2015: Rs. Nil) and financial liabilities include Rs. Nil (2015: Rs. Nil) which are subject to foreign currency risk against US Dollars.

Foreign Currency Sensitivity Analysis

At June 30, 2016 if the Rupee had weakened / strengthened by 1% against the US Dollar with all other variables held constant, profit for the year would have been lower / higher by Rs. Nil (2015: Rs. 241,906) mainly as a result of foreign exchange gains / losses on transaction of foreign currency trade debts and US Dollar denominated borrowings.

ii) Other Price Risk

Other 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity and commodity price risk.

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, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

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

	2016	2015
	Rupees	Rupees
Floating rate instruments		
Financial Liabilities		
Short term borrowings	358,137,853	323,075,541

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have Increased / (decreased) equity and profit or loss by Rs. 3,587 million (2015: Rs. 3,231). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2015.

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. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:-

	2016 Rupees	2015 Rupees
Long term loans	6,151,146	7,129,250
Long term deposits	8,297,191	9,622,191
Trade debts	109,817,294	54,209,558
Advances, trade deposits and other receivables	135,239,213	157,585,440
Cash and bank balances	1,740,763	3,940,793

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks where the Company maintains its bank balances are as follows:-

Name of Bank	Rating Agency	Credit Rating	
		Short-term	Long-term
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A-1+	AA
Bank of Punjab	PACRA	A1+	AA-
Allied Bank Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA

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 funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs.350 million worth short term borrowing limits available from financial institutions Rs. 33,004 million (2015 : Rs. 24,980 million) cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2016

	Carrying Amount Rupees	Contractual cash flows Rupees	Less than 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Trade and other payables	440,480,741	440,480,741	440,480,741	-	-
Accrued interest	6,239,517	6,239,517	6,239,517	-	-
Short term finances	358,137,853	398,643,244	398,643,244	-	-

Contractual maturities of financial liabilities as at June 30, 2015:

	Carrying Amount Rupees	Contractual cash flows Rupees	Less than 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Trade and other payables	489,758,807	489,758,807	489,758,807	-	-
Accrued interest	8,078,474	8,078,474	8,078,474	-	-
Short term finances	323,075,541	359,615,385	359,615,385	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest mark up have been disclosed in Note 10.1 to these financial statements.

35 Fair value Measurements**35.1 Financial Instruments**

The Company measures some of its assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

35.1.1 Financial instruments measured at fair value**(a) Recurring fair value measurements**

There are no recurring fair value measurements as at the reporting date.

(b) Non-Recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

35.1.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

35.2 Assets and liabilities other than Financial Instruments.**35.2.1 Recurring Fair Value Measurements**

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	2016 Rupees	2015 Rupees
Freehold Land	-	74,520,000	-	74,520,000	74,520,000
Factory Buildings on Free hold Land	-	-	124,226,569	124,226,569	138,029,522
Colony Buildings on free hold Land	-	-	64,677,803	64,677,803	71,864,225
Plant and Machinery	-	-	689,746,025	689,746,025	732,210,080
Power House	-	-	77,670,444	77,670,444	86,300,494

Reconciliation of fair value measurements categorized in Level 2 and 3 is presented in note 13.1.
There were no transfers between fair value hierarchies during the year.

35.2.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

36 Plant Capacity and Production

	2016	2015
Number of spindles installed	33,468	33,468
Number of spindles operated	22,448	31,795
Number of shifts worked	929	1,056
Installed capacity in 20's count based on triple shift for 365 days (2015: 365) days (Kgs) - approximately	11,168,743	11,168,743
Actual production after conversion into 20's count (Kgs)	6,155,831	10,697,390

It is difficult to describe precisely the under utilization of production capacity in spinning since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, etc. It also varies according to the pattern of production adopted in particular year.

37 Number of Employees

	2016	2015
Number of employees as at June 30,	844	1,031
Average No. of employees during the year	850	1,024

38 Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level, and regulate its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

As on the balance sheet date, the gearing ratio of the Company was as under:

	2016 Rupees	2015 Rupees
Total borrowings	732,937,029	646,921,038
Cash and bank balances	(1,740,763)	(3,940,793)
Net Debt	<u>731,196,266</u>	<u>642,980,245</u>
Equity	221,941,566	550,118,703
Total capital employed	<u>953,137,832</u>	<u>1,193,098,948</u>
Gearing Ratio	76.71%	53.89%

39 Segment Information

- 39.1 The company is a single reportable segment.
- 39.2 All non-current assets of the company are situated in Pakistan.
- 39.3 All sales of the Company have originated from Pakistan.

40 Recoverable Amounts and Impairment

As at the reporting date, subject to appropriateness of going concern assumption, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

41 Authorization of Financial Statements

These accounts have been authorized for issue by the Board of Directors of the Company on November 08, 2016.

42 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison. Following re-arrangements / reclassifications have been made in these financial statements for better presentation:

Nature	From	To	Amount Rupees
Directors' loan	Long term liability	Face of balance sheet (shown in equity)	271,256,000

43 GENERAL

The figures have been rounded off to the nearest Rupees.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

Lahore
November 08, 2016

(Khawaja Mohammad Kaleem)
Director

(Khawaja Mohammad Tanveer)
Director

KEY FINANCIAL DATA OF LAST SIX YEARS

(Rupees In '000)

	2016	2015	2014	2013	2012	2011
Sales	1,057,846	2,112,615	2,720,963	2,741,832	20,296,439	2,326,626
Gross (Loss) / Profit	(230,599)	34,805	228,754	331,149	160,989	151,036
(Loss) / Profit before Taxation	(332,704)	(131,692)	62,443	137,765	55,893	42,423
Taxes	(2,032)	(7,739)	(10,184)	(22,456)	(19,377)	35,501
(Loss) / Profit after Taxation	(334,736)	(139,431)	52,259	115,309	36,516	77,924
Total Assets	1,482,005	1,750,810	1,749,660	1,653,856	1,411,533	1,395,077
Current Liabilities	1,013,957	925,720	777,510	763,619	643,966	622,256
	468,048	825,090	972,150	890,237	767,567	772,821
Sahre Capital	200,000	200,000	200,000	200,000	400,000	400,000
Loan from Directors (Subordinated)	271,256	271,256	271,256	371,256	371,256	371,256
Accumulated (Loss) / Profit	(249,314)	78,863	211,166	199,007	(120,749)	(160,614)
Equity	221,942	550,119	682,422	770,263	650,507	610,642
Surplus on Revaluation of Fixed Assets	175,803	184,222	193,399	54,804	58,749	63,135
Long Term Loans	-	-	-	-	-	-
Finance Lease	-	6,097	11,825	-	-	42,000
Deferred Liability	70,303	84,652	84,504	65,170	58,311	57,044
	468,048	825,090	972,150	890,237	767,567	772,821

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

FORM 34

1. Incorporation Number **L-01895**2. Name of the Company **CHAKWAL SPINNING MILLS LIMITED**3. Pattern of holding of the shares held by the shareholders as at **30-06-2016**

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
154	1	100	9,177
226	101	500	88,568
65	501	1,000	62,885
124	1,001	5,000	369,072
36	5,001	10,000	301,419
16	10,001	15,000	203,702
13	15,001	20,000	244,000
2	20,001	25,000	42,600
4	25,001	30,000	114,000
2	30,001	35,000	65,500
1	40,001	45,000	42,700
1	45,001	50,000	50,000
1	50,001	55,000	52,000
1	55,001	60,000	57,000
1	60,001	65,000	63,000
1	65,001	70,000	68,935
1	95,001	100,000	100,000
1	115,001	120,000	118,000
1	120,001	125,000	125,000
1	160,001	165,000	164,600
1	195,001	200,000	200,000
1	200,001	205,000	200,700
1	740,001	745,000	742,008
1	1,365,001	1,370,000	1,367,792
1	1,550,001	1,555,000	1,553,513
1	2,430,001	2,435,000	2,432,729
1	2,555,001	2,560,000	2,557,250
1	2,830,001	2,835,000	2,831,750
1	2,855,001	2,860,000	2,855,400
1	22,915,001	22,920,000	22,916,700
662			40,000,000

**Catagories of Shareholding required under Code of Coprorate Governance (CCG)
As on June 30, 2016**

Sr. No.	Name	No. of Shares Held	Percentage
---------	------	--------------------	------------

Associated Companies, Undertakings and Related Parties (Name Wise Detail):

- -

Mutual Funds (Name Wise Detail)

1	ASIAN DEVELOPMENT EQUITY FUND	2,100	0.0053
2	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	742,008	1.8550

Directors and their Spouse and Minor Children (Name Wise Detail):

1	KHAWAJA MOHAMMAD JAVED	2,432,729	6.0818
2	KHAWAJA MOHAMMAD JAHANGIR PHINO	2,831,750	7.0794
3	KHAWAJA MOHAMMAD TANVEER	2,557,250	6.3931
4	KHAWAJA MOHAMMAD KALEEM	24,470,213	61.1755
5	KHAWAJA MOHAMMAD NADEEM	2,918,400	7.2960
6	KHAWAJA MOHAMMAD NAVEED	1,424,792	3.5620
7	MR. MUHAMMAD AMAN	365,300	0.9133
8	MR. MUHAMMAD TARIQ SUFI	500	0.0013
9	MRS. KAUSAR TASNEEM W/O KHAWAJA MOHAMMAD JAVED	400	0.0010
10	MRS. RUBINA KHANUM W/O KHAWAJA MOHAMMAD JAHANGIR	2,000	0.0050

Executives:

- -

Public Sector Companies & Corporations:

- -

Banks, Development Finance Institutions, Non Banking Finance

130,757 0.3269

Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)

S. No.	NAME	Holding	%Age
1	KHAWAJA MOHAMMAD KALEEM	24,470,213	61.1755
2	KHAWAJA MOHAMMAD JAVED	2,432,729	6.0818
3	KHAWAJA MOHAMMAD JAHANGIR PHINO	2,831,750	7.0794
4	KHAWAJA MOHAMMAD TANVEER	2,557,250	6.3931
5	KHAWAJA MOHAMMAD NADEEM	2,918,400	7.2960

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

NIL

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	37,003,334	92.5083
5.2 Associated Companies, undertakings and related parties.	0	-
5.3 NIT and ICP	0	-
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	5,522	0.0138
5.5 Insurance Companies	54,300	0.1358
5.6 Modarabas and Mutual Funds	746,108	1.8653
5.7 Share holders holding 10% or more	24,470,213	61.1755
5.8 General Public		
a. Local	2,025,983	5.0650
b. Foreign	0	-
5.9 Others (to be specified)		
1- Joint Stock Companies	22,699	0.0567
2- Investment Companies	12,000	0.0300
3- Foreign Companies	58,700	0.1468
4- Pension Funds	68,935	0.1723
5- Others	2,419	0.0060

6. Signature of Company Secretary	<input type="text"/>
7. Name of Signatory	<input type="text"/>
8. Designation	<input type="text" value="Company Secretary"/>
9. NIC Number	<input type="text"/>
10. Date	<input type="text" value="30"/> <input type="text" value="06"/> <input type="text" value="2016"/>

Form of Proxy - 28th Annual General Meeting

The Corporate Secretary
Chakwal Spinning Mills Limited
7/1 E-3 Main Boulevard Gulberg III, Lahore

Folio # / CDC A/C #.	
Participant I.D	
Account #	
Shares held	

I/We _____ of _____
being a member (s) of CHAKWAL SPINNING MILLS LIMITED hold _____ ordinary shares hereby appoint
Mr./Mrs./Miss _____ of _____ or
failing him/her _____ of _____ as my /our
Proxy to attend and vote for me/us and on my/our behalf at the 28th Annual General Meeting of the Company to
be held on Wednesday, November 30, 2016 at 11:00 a.m. at 11-E, Main Gulberg, Lahore and at every adjournment
thereof.

Signed this _____ day of _____ 2016.

1. Witness: _____
Signature: _____
Name: _____
Address: _____
CNIC: _____

**AFFIX
REVENUE
STAMP OF FIVE RUPEES**

2. Witness: _____
Signature: _____
Name: _____
Address: _____
CNIC: _____

Signature: _____

(Signature appended above should agree
with the specimen signatures registered
with the Company.)

IMPORTANT

1. This Form of proxy, duly completed and signed, must be received at the registered office of the company, at 7/1 E-3 Main Boulevard Gulberg III, Lahore Pakistan, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.