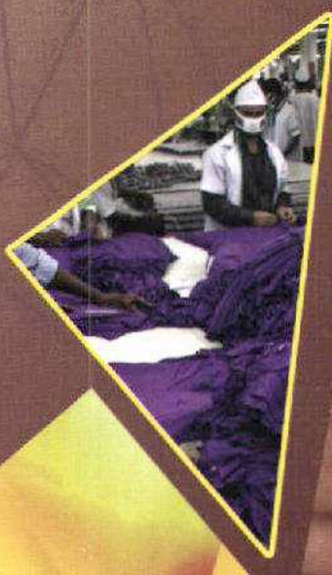
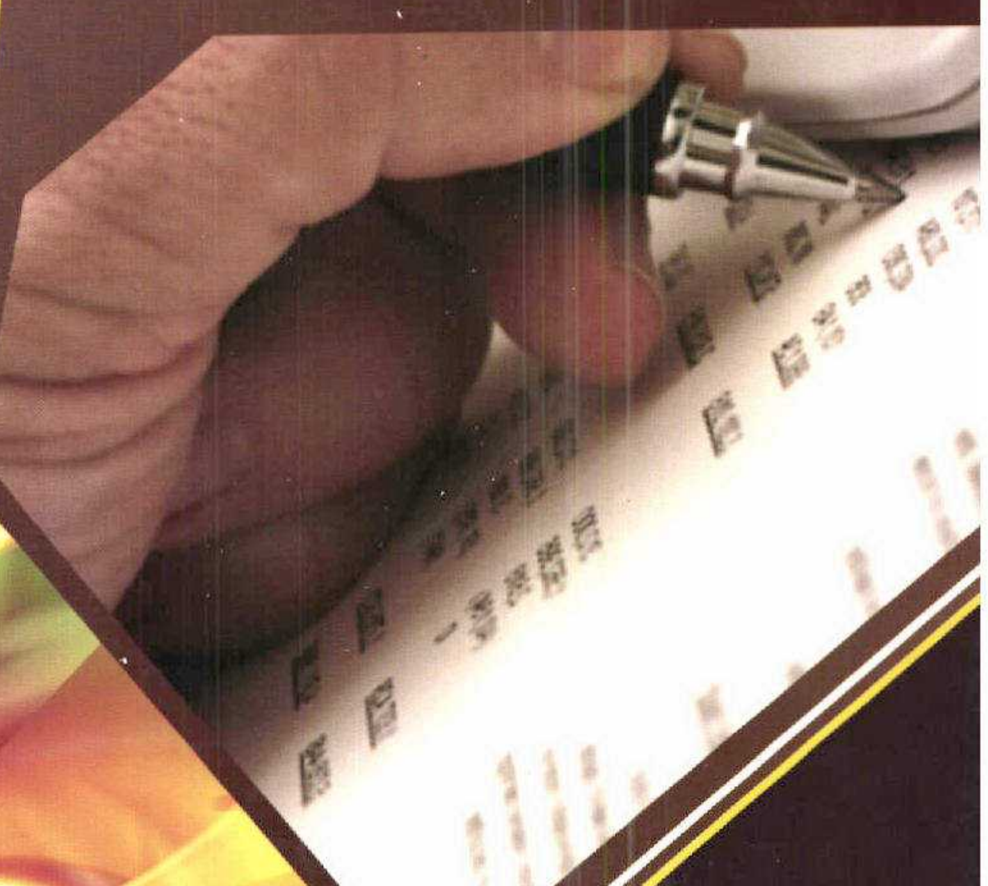
Chenab
LIMITED

2014

Financial Statement of Chenab Limited For the year ended June 30





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Company Information

Chief Executive	Mian Muhammad Latif
Directors	Mian Muhammad Javaid Iqbal Mr. Muhammad Naeem Mr. Muhammad Faisal Latif Mr. Muhammad Farhan Latif Mr. Muhammad Zeeshan Latif Mst. Shahnaz Latif
Bankers/Financial Institutions (In Alphabetic Order)	Allied Bank Limited. Askari Bank Limited. AlBaraka Bank (Pakistan) Limited. (ABBL) Bank Alfalah Limited. Citibank, N.A. Faysal Bank Limited. First Credit & Investment Bank Limited First Punjab Modaraba. Habib Bank Limited. Habib Metropolitan Bank Limited. KASB Bank Limited. National Bank of Pakistan. NIB Bank Limited Orix Leasing (Pakistan) Limited. Pak Oman Investment Company Ltd. Pak Kuwait Investment Company (Pvt.) Ltd. Pak Libya Holding Company (Pvt.) Ltd. Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Ltd. SILK Bank Limited. Summit Bank Limited. The Bank of Punjab United Bank Limited. Standard Chartered Bank (Pakistan) Limited
Company Secretary/ Chief Financial Officer	Mr. Muhammad Arshad
Audit Committee	Mr. Muhammad Farhan Latif - Chairman Mr. Muhammad Zeeshan Latif Mst. Shahnaz Latif
Auditors	Avais Hyder Liaquat Nauman
Legal Advisor	Ch. Shahid Mehmood (Advocate)
Share Registrar	478/D, Peoples Colony No 1 Faisalabad Ph:041-8541165 Fax:041-8542765
Registered Office	Nishatabad, Faisalabad. Tel:041-8754472-8 Fax:041-8752400 8752700
E-mail Address	chenab@chenabgroup.com
Website Address	www.chenabgroup.com
Works	-Spinning Unit - Toba Tek Singh. -Weaving Unit - Kharianwala, Distt., Sheikhupura -Weaving Unit - Shahkot, Distt., Nankana Sahib -Processing & Stitching Units - Nishatabad, Faisalabad.

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Vision

To be a competitive and customer focused organization with continuing commitment to excellence and standards.

Mission Statement

- To be the business house of first choice for customers.
- To be a change leader.
- To produce innovative, relevant and cost effective products.
- Setting and maintaining high standards.
- To earn profits by achieving optimum level of production by using state of the art technologies.
- To provide ideal working conditions to employees and to take care in their career planning and reward them according to their skill and responsibility.
- To meet social and cultural obligations towards the society being a patriotic and conscientious corporate citizens.

Chenab

Financial Highlights

	2014	2013	2012	2011	2010	2009
Operational performance						
						(Rupees'000)
Sales net	2,265 551	2 171 726	2 606 532	4 374 335	8 857 796	9 091 378
Cost of sales	2,515 062	2 546 491	3 943 890	5 541 366	9 047 217	7 107 004
Gross profit	(249 511)	(374 756)	(1 337 258)	(1 167 030)	(189 421)	1 984 374
Operation (loss) / profit	(129 634)	(226 793)	(1 316 787)	(1 167 403)	(487 105)	1 472 588
Loss/Profit before taxtion	(389 041)	(488 771)	(1 672 947)	(2 857 923)	(1 931 558)	(13 730)
Loss/Profit after taxtion	(399 289)	(494 067)	(1 690 458)	(2 887 761)	(2 019 900)	(96 663)
Financial position						
Property Plant and equipment	11,046 052	11 253 806	11 462 209	11 659 237	11 855 451	7 389 014
Capital work in progress	-	-	-	-		4 965
Long term deposits	12 637	12 637	8 805	8 851	19 736	20 988
Fixed capital expenditure	11 058 689	11 266 437	11 471 014	11 668 088	11 875 187	7 414 967
Total assets	14 487 041	15 045 669	15 495 014	17 204 093	19 397 627	16 941 257
Current asset						
Store spare parts and stocks in trade	1,086 824	1 185 960	1 370 828	2 355 099	3 734 566	5 829 472
Other current assets	2,303 428	2 576 549	2 623 466	3 161 152	3 770 444	3 633 466
Cash and cash equivalents	38 100	16 723	29 707	19 754	17 420	63 352
Total	3,428 352	3 779 232	4 024 000	5 536 005	7 522 430	9 526 290
Current liabilities						
Short term bank borrowing	5 681 149	5 746 683	5,570 582	7 266 478	7 436 954	7 129 404
Currant portion of long term loans morabaha	2,416 944	2 054 106	1,716 298	1 388 646	870 414	624 995
Other current liabilities	2,972 167	3 155 952	3 309 028	3 621 008	2 831 172	2 618 726
Total	11 070 260	10 956 741	10 595 908	12 276 132	11 138 540	10 373 125
Net working capital	(7,641 908)	(7 177 509)	(6 571 908)	(6 740 127)	(3 615 110)	(846 836)
Long term loans/Finance lease morabaha	2 378 188	2 786,025	3 196 416	19 000 281	2 322 499	2 717 133
Shareholder's equity	(4 781 852)	(4 407 550)	(3 965 244)	(2 295 908)	564 947	2 493 877
Profiability analysis						
Gross profit to sale (%)	(11 01)	(17 26)	(51 30)	(26 68)	(2 14)	21 83
Loss/Profit befor tax to sales (%)	(17 17)	(22 51)	(64 18)	(65 33)	(21 81)	(0 15)
Loss/Profit after tax to sales (%)	(17 62)	(22 75)	(64 85)	(66 02)	(22 80)	(1 06)
Return on Investment (%)	(2 76)	(3 28)	(10 91)	(16 79)	(10 41)	(0 57)
Return on equity (%)	8 35	11 21	42 53	125 78	(357 54)	(3 88)
Earnings per share(Rupees)	(0 83)	(0 83)	(0 83)	(0 83)	(0 83)	(0 83)
Financial analysis						
Current ratio(time)	0 31	0 34	0 38	0 45	0 68	0 92
Debt to equity (time)	(1 00)	(1 10)	(1 24)	(1 43)	5 65	1 34
Total Debt to Total Assets	0 33	0 32	0 32	0 19	0 16	0 20
Total Debt to Fixed Assets	0 43	0 43	0 43	0 28	0 27	0 45

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Notice of Annual General Meeting

Notice is hereby given that 30th Annual General Meeting of the shareholders of the Company will be held at 11.00 A.M. on Friday the 31st October, 2014 at the Registered office of the Company at Nishatabad, Faisalabad to transact the following business:-

1. To confirm the minutes of the last meeting.
2. To consider and approve the Annual Audited Financial Statements of the Company for the year ended June 30, 2014 together with Directors and Auditors Reports thereon.
3. To appoint Auditors for the next financial year 2014-2015 and to fix their remuneration. The Retiring Auditors, M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, Faisalabad being eligible, offer themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

(MUHAMMAD ARSHAD)
COMPANY SECRETARY

FAISALABAD
OCTOBER 10, 2014

NOTES:

1. The Share Transfer Books of Ordinary/Preference Shares of the Company will remain closed from October 24, 2014 to October 31, 2014 (both days inclusive). Transfers received in order by Company's Registrar, M/s. Consulting One (Pvt.) Ltd, 478-D, Peoples Colony, Faisalabad upto close of business hours on October 23, 2014 will be considered in time.
2. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting. A proxy must be a member of the company.
3. Shareholders whose shares are deposited with Central Depository Company (CDC), or their Proxies are requested to bring their original National Identity Cards (CNICs) or Passports alongwith the Participants ID numbers and their account numbers at the time of attending the Annual General Meeting for verification.
4. All other members should bring their Original National Identity Cards for identification purpose.
5. The shareholders are requested to notify the company immediately the change in their address, if any.

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Director's Report to the Member's

The directors are presenting before you report and audited accounts of the company for the year ended June 30 2014.

SALES REVENUE

Sales revenue of Rs.2.265 billion has been earned during the year as compared to Rs.2.171 billion achieved during the preceding year showing an increase of 4.32% despite unfavorable circumstances.

FINANCIAL RESULTS AND REASONS FOR LOSS

There are certain improvements in the financial results, as this year the company has sustained financial loss of Rs.399.289 million as compared with financial loss of Rs.494.067 million in the preceding year which is significantly reduced by 19.18% despite prevailing severe energy crisis and shortage of most needed working capital.

Due to recurring losses, the working capital resources of the company have attenuated and the company could not execute entire available export orders due to continuing paucity of funds.

However, the financial results for the year ended June 30 2014 with comparative figures are as follows:-

	2014 (Rupees)	2013 (Rupees)
Sales	2,265,551,424	2,171,725,362
Cost of sales	(2,515,062,152)	(2,546,491,939)
Gross (loss)	(249,510,728)	(374,766,577)
Other income	119,877,134	147,973,103
	(129,633,594)	(226,793,474)
Selling and distribution expenses	(18,985,679)	(29,319,782)
Administrative expenses	(129,347,736)	(126,961,704)
Finance cost	(111,074,160)	(105,702,543)
	(259,407,575)	(261,984,029)
(Loss) before taxation	(389,041,169)	(488,777,503)
Provision for taxation	(10,247,361)	(5,289,679)
(Loss) for the year	(399,288,530)	(494,067,182)
(Loss) per share - Basic and diluted	(3.47)	(4.30)

DIVIDEND ON PREFERENCE SHARES

The payment of dividend on non voting cumulative preference shares, in view of financial losses, has been deferred till the availability of profits for appropriation.

Chenab

NON PAYMENT OF DEBT OBLIGATIONS

Due to continuous financial losses sustained by the company, it could not pay debt obligations to its financial creditors in accordance with terms of certain loan agreements, subsequently certain banks and financial institutions have filed cases for recovery and winding up proceedings against the company. However, the company is paying its financial obligations regularly to those banks who have recently rescheduled the financial liabilities.

FUTURE PROSPECTUS

There is potential demand in the international markets for Pakistani textile products. The company can take benefit of this situation, if the Government of Pakistan provides comprehensive package for the revival of value added textile industry alongwith interruption free supply of electricity/gas coupled with help from financial institutions in providing additional working capital and restructuring financial facilities on economical rate of mark up and affording a proper breathing space for repayment of long term liabilities. It is learnt that Ministry of Textile Industries, Government of Pa istan has already constituted a committee to review non performing loans in the value added textile industry.

AUDITORS' OBSERVATIONS

ON GOING CONCERN ASSESSMENT

(i) Since the company on account of financial losses has not been able to comply with terms of certain loan arrangements with banks and financial institutions who have filed cases for recovery and winding up proceedings against the company which the management of the company is defending apart from approaching them for amicable decision. The litigation has also adversely affected the process of negotiations with banks for extension and re-scheduling of credit facilities. Management's efforts for making re-scheduling arrangements with lenders are not so far fully materialized, however, the management has been able to reach at agreement with two of the major lenders to restructure the loan. Short term facilities were converted to long term loans and fresh facility of murabaha finance was obtained. The management is hopeful that arrangements with other lenders will also materialize in due course.

(ii) Since the management has filed applications to its bankers/financial institutions to reschedule the existing long term and short term borrowings alongwith outstanding mark up thereon and to convert the entire outstanding liabilities into non serviceable loans/loans subject to reduced rate of mark up for a reasonable period of time. The Company is hopeful that its bankers/financial institutions will consider the proposals favorably. Therefore, no further provision of mark up in respect of these long term and short term finances has been made as the mark up expense amount depends on the outcome of the applications. Nevertheless, markup provision is being made against the fresh granted and rescheduled loans of the two banks.

(iii) Similarly, the company has not been able to redeem preference shares of the company on exercise of put option for two consecutive years by the holders of preference shares due to perennial financial losses. One of the investors has moved an application before SECP under Section 474 of Companies Ordinance, 1984 which was not accepted. However, the Appellate Bench of SECP remanded back this decision under certain directives and the matter is pending decision before SECP. The matter for issue of ordinary shares against second default shall be taken in hand after the resolution of dispute of first default.

(iv) The management is in regular contact with foreign customers and making small export consignments. The quantum of exports could not be increased despite export orders due to shortage of working capital and delay in settlement of overdue loans and hopeful of favorable results.

(v) The management is also actively following up the recovery of past due trade debts and is fully confident that keeping in view the past history of the customers, all past due trade debts will be recovered in full. The management is also exploring the possibility of disposal of certain non core fixed assets to meet the working capital requirements.

(vi) On the operational side, the management continued toll manufacturing and making efforts to increase the volume of business and has been utilizing coal based boilers and oil heaters as an alternate source of energy in view of prolonged energy crisis and delay in anticipated improvement in gas supply through purchase of LNG. The capacity utilization of these boilers is not being attained on optimum level due to non availability of quality coal which would be overcome in due course resulting in the increase of present level of production.

In view of the above, the management is confident that it will successful in its efforts and company will be able to continue as a going concern.

CORPORATE SOCIAL RESPONSIBILITY

Your company full understands its corporate responsibility towards the society and fulfills it by providing financial support to its deserving employees, contributing considerable amount to the national exchequer, applying solution for energy conservation and environment protection.

The company has provided healthy safe and learning working environment to its employees and encourages attendance in the training courses, seminars, workshops and conferences both within country and abroad. The company lends regular support to the special persons by providing them jobs best suited to them. It also offers apprenticeship to fresh graduates in all the relevant departments on regular basis to elevate their professional and technical skills.

Your company has also installed environment friendly gas based four power plants at all operational units with a view to reduce power cost and has also installed first waste water treatment plant in the city resulting in energy conservation and improvement in the environment.

Chenab

PATTERN OF SHARHEOLDING

The pattern of shareholding as at June 30, 2014 including the information under the code of corporate governance for ordinary and non voting cumulative preference shares are annexed

BOARD OF DIRECTORS

There being no change in the directorship of the company, the number of directors remains the same as per the last annual general meeting of the shareholders of the company. All the retiring directors were elected for next term of three years commencing from September 18, 2013.

BOARD MEETINGS

During the year under review four board meetings were held. Attendance by each director is appended below:-

S NO.	NAME OF DIRECTOR	NO OF MEETINGS ATTENDED
1	Mian Muhammad Latif	6
2	Mian Muhammad Javaid Iqbal	6
3	Mr. Muhammad Naeem	6
4	Mr. Muhammad Faisal Latif	6
5	Mr. Muhammad Farhan Latif	6
6	Mr. Muhammad Zeeshan Latif	6
7	Mst. Shahnaz Latif	6

AUDIT COMMITTEE

The board of directors in compliance to the code of corporate governance has constituted an audit committee consequent upon re-election of directors as below:-

(1) Muhammad Farhan Latif - Chairman (Non Executive)
(2) Muhammad Zeeshan Latif - Member (Non Executive)
(3) Mst. Shahnaz Latif - Member (Non Executive)

The meetings of the audit committee were held atleast once every quarter prior to approval of interim and final results of the company. The meetings were also attended by the CFO, Head of Internal Audit and External Auditors as and when it was required.

CODE OF CORPORATE GOVERNANCE

As required by the Code of Corporate Governance, directors are pleased to report that:-

(i) The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

(ii) Proper books of accounts of the company have been maintained.

(iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.

(iv) International Accounting/Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements.

(v) The system of internal control is sound and has been effectively implemented and monitored.

(vi) Going concern issue is separately explained.

(vii) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the Karachi Stock Exchange.

(viii) Key operating and financial data for the last six years is annexed.

(ix) Reasons for not declaring dividend are disclosed.

(x) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2014 except for those disclosed in the financial statements.

(xi) No material changes and commitments affecting the financial position of your company have occurred between the end of the financial year to which this balance sheet relates and the date of the Directors' Report.

AUDITORS

The External Auditors, M/s. Avais Haider Liaquat Nauman, Chartered Accountants, Faisalabad retire and being eligible offers themselves for re-appointment. The Audit Committee and the Board has also recommended their re-appointment as External Auditors of the Company for the next financial year 2014-2015.

ACKNOWLEDGEMENT

The board of directors places on record its appreciation for the support of the shareholders, government agencies, financial institutions and customers.

The board would also like to express their appreciation for the services and dedicated efforts being continuously rendered by all the employees of the company and hope that they will continue with these efforts in future also.

For and on behalf of
BOARD OF DIRECTORS

FAISALABAD
October 10, 2014

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE

Avais Hyder Liaquat Nauman
Chartered Accountants

RSM

49-D Peoples Colony No. 1
Faisalabad, Pakistan
T: +92 (41) 854 1165, 854 1965 F: +92 (41) 854 2391
E: faisalabad@ahln.com.pk W: www.ahln.com.pk

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2014 prepared by the Board of Directors of Chenab Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange, where the Company is listed.

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

As part of 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's statement on internal control covers all risks and controls, or to form an opinion on effectiveness of such internal controls, the company's corporate governance procedures and risks.

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

As per clause of the Code, it is mandatory for all the directors of the company (excluding the directors who are exempt under the Code) to have certification under any director's training program. A minumum of one director is required to acquire the said certification every year from June 30, 2012 to June 30, 2016. No director of the company has acquired the said certification during the year.

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code as applicable to the company for the year ended June 30, 2014.

We have also expressed an adverse opinion in our audit report to the financial statements for the year ended June 30, 2014.

Dated: October 10, 2014
Place: Faisalabad

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Other Offices at:
Lahore : (92 42) 3587 2731-35
Karachi : (92 21) 3565 5975/6
Islamabad : (92 51) 211 4096-78
Peshawar : (92 91) 527 7205/527 5110
Quetta : (92 81) 282 9809

Chenab

Statement of compliance with the Code of Corporate Governance
For the year ended June 30, 2014

This statement is being presented in compliance with the Code of Corporate Governance (the CCG) contained in the Listing Regulations of the Karachi Stock Exchange for the purpose of establishing a framework whereby a listed company is managed with best practices for good Corporate Governance:-

The Board has applied the principles contained in the CCG in the following manner:-

1. The Company encourages representation of independent Non-executive Directors and the Directors representing minority interests on the Board of the Company. However, at present, the Board comprises of:

Category	Names
Independent Directors	-
Executive Directors	Mian Muhammad Latif Mian Muhammad Javaid Iqbal Muhammad Naeem
Non-Executive Directors	Muhammad Faisal Latif Muhammad Farhan Latif Muhammad Zeeshan Latif Mst. Shahnaz Latif

The condition of clause i (b) of the CCG in relation to independent director will be complied after clearance from major creditors of the Company.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.
3. All the Directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI.
4. No casual vacancy occurred in the Board during the year under review.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least 7 days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The Company Secretary and CFO attended the meetings of the Board of Directors.
9. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with the amendments in the corporate and other laws, if any. Five out of seven directors are exempt from the directors' training program and remaining two directors will obtain the certification before June 30, 2016.

Chenab

10. The appointment of Company Secretary, CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO was approved by the Board.

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

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval by 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 non-executive Directors.

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 as required by the CCG. The terms of reference of the Committee have been defined and communicated to the Committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three non-executive directors.

18. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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 related party transactions have been placed before the Audit Committee and approved by the Board of Directors. The transactions were made on terms equivalent to those that prevail in arm's length transactions.

22. 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 are determined and intimated to directors, employees and Karachi Stock Exchange.

23. Material / price sensitive information has been disseminated among all market participants at once through the Karachi Stock Exchange.

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

For and on behalf of

Board of Director's

(Mian Muhammad Latif)
Chief Executive Office

Avais Hyder Liaquat Nauman
Chartered Accountants

RSM

478-D, Peoples Colony No. 1
Faisalabad - Pakistan

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Chenab Limited (the Company) as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

Except for the matter discussed in paragraph (c) below, 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) As described in Note 1.3 to the financial statements, the financial statements have been prepared on going concern basis. The Company incurred a net loss of Rs. 399.29 million for the year ended June 30, 2014. As at June 30, 2014 its accumulated loss is Rs. 7,334.69 million, shareholders' equity is negative by Rs. 4,781.85 million and the Company's current liabilities exceed its current assets by Rs. 7,641.91 million. The Company is facing operational and financial problems. There is no sufficient appropriate audit evidence that the management's plans are feasible and ultimate outcome will improve the Company's current situation. In our opinion, the going concern assumption used in the preparation of these financial statements is inappropriate, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

(b) The Company is not providing for markup since July 2011 in respect of certain long term financing and short term borrowings in view of its requests to the respective lenders to convert all outstanding liabilities into non serviceable loans / loans subject to reduced rate of markup (Refer Note 14 and 30.1 to the financial statements). Had the markup been provided, loss for the year would have been increased by Rs. 256.53 million (2013: by Rs. 619.59 million) and negative equity and interest / markup payable would have been increased by Rs. 1,580.93 million (2013: by Rs. 1,324.40 million).

Other Offices at:
Lahore
Karachi
Islamabad
Peshawar
Quetta

Avais Hyder Liaquat Nauman

RSM

(c) Trade debts of Rs. 1,928.78 million (2013: Rs. 2,223.33 million) are past due. In our opinion, these past due trade debts are impaired but no provision in respect of doubtful debts has been made in the financial statements. We are unable to determine the quantum of provision with reasonable accuracy and, therefore, its impact on results for the year and equity could not be quantified.

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

(e) in our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have not been drawn up in conformity with the Companies Ordinance, 1984. The balance sheet and profit and loss account are in agreement with the books of account and are further in accordance with accounting policies consistently applied except change in accounting policy as stated in Note 2.4 to the annexed financial statements with which we concur;

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;

(f) in our opinion, because of the significance of the matters discussed in paragraph (a) to (c) above, 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 do not conform with approved accounting standards as applicable in Pakistan and do not give the information required by the Companies Ordinance, 1984 in the manner so required and do not give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and

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

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:- Hamid Masood

Dated: October 10, 2014
Place: Faisalabad

Chenab

Balance Sheet
as at June 30, 2014

	Note	2014 Rupees	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorised capital				
120,000,000 ordinary shares of Rs.10/- each		1,200,000,000	1,200,000,000	1,200,000,000
80,000,000 cumulative preference shares of Rs.10/- each		800,000,000	800,000,000	800,000,000
Issued, subscribed and paid up capital	3	1,150,000,000	1,150,000,000	1,150,000,000
Cumulative preference shares	4	800,000,000	800,000,000	800,000,000
Capital reserves	5	526,409,752	526,409,752	526,409,752
Revenue reserves	6	(7,258,262,136)	(6,883,959,895)	(6,441,653,691)
		(4,781,852,384)	(4,407,550,143)	(3,965,243,939)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	5,000,307,165	5,122,524,353	5,153,107,126
NON-CURRENT LIABILITIES				
Long term financing	8	2,354,392,019	2,758,868,705	3,166,138,804
Liabilities against assets subject to finance lease	9	23,796,233	27,156,234	30,276,637
Deferred liabilities	10	820,137,783	587,929,519	514,827,222
		3,198,326,035	3,373,954,458	3,711,242,663
CURRENT LIABILITIES				
Trade and other payables	11	1,617,948,321	1,842,055,311	1,995,944,596
Interest / markup payable	12	1,274,156,966	1,302,358,402	1,297,629,472
Short term bank borrowings	13	5,681,149,135	5,746,682,704	5,570,582,119
Current portion of :				
Long term financing	8	2,478,462,446	2,054,105,760	1,700,531,661
Liabilities against assets subject to finance lease	9	10,357,526	8,305,654	15,766,430
Provision for taxation - income tax		8,185,918	3,232,808	15,453,941
		11,070,260,312	10,956,740,639	10,595,908,219
CONTINGENCIES	14	-	-	-
		14,487,041,128	15,045,669,307	15,495,014,069

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

MUHAMMAD NAEEM
(DIRECTOR)

Chenab

	Note	2014 Rupees	2013 Rupees	2012 Rupees
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment				
Operating assets	15	11,046,052,265	11,253,800,473	11,462,208,946
Long term deposits	16	12,636,768	12,636,768	8,804,768
		11,058,689,033	11,266,437,241	11,471,013,714
CURRENT ASSETS				
Stores, spares and loose tools	17	470,895,120	559,754,221	721,292,591
Stock in trade	18	615,928,703	626,205,881	649,535,086
Trade debts	19	2,137,721,119	2,386,524,814	2,332,100,620
Loans and advances	20	69,259,931	50,200,309	107,053,722
Deposits and prepayments	21	12,659,170	12,756,851	15,348,291
Other receivables	22	34,781,389	43,246,866	86,495,714
Tax refunds due from Government	23	49,006,097	83,819,812	82,467,426
Cash and bank balances	24	38,100,566	16,723,312	29,706,905
		3,428,352,095	3,779,232,066	4,024,000,355
		14,487,041,128	15,045,669,307	15,495,014,069

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Chenab

Profit & Loss Account
for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales	25	2,265,551,424	2,171,725,362
Cost of sales	26	(2,515,062,152)	(2,546,491,939)
Gross (loss)		(249,510,728)	(374,766,577)
Other income	27	119,877,134	147,973,103
		(129,633,594)	(226,793,474)
Selling and distribution expenses	28	(18,985,679)	(29,319,782)
Administrative expenses	29	(129,347,736)	(126,961,704)
Finance cost	30	(111,074,160)	(105,702,543)
		(259,407,575)	(261,984,029)
(Loss) before taxation		(389,041,169)	(488,777,503)
Provision for taxation	31	(10,247,361)	(5,289,679)
(Loss) for the year		(399,288,530)	(494,067,182)
(Loss) per share- Basic and diluted	32	(3.47)	(4.30)

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Chenab
LIMITED

Statement of Comprehensive Inome

for the year ended June 30,2014

	Note	2014 Rupees	2013 Rupees
(Loss) for the year		(399,288,530)	(494,067,182)
Other comprehensive income for the year			
Items that will not be subsequently reclassified to profit or loss:			
Incremental depreciation on revalued assets for the year	7	29,230,498	30,582,773
Remeasurement of defined benefit liability		(4,244,209)	8,341,023
		24,986,289	38,923,796
Total comprehensive (loss) for the year		(374,302,241)	(455,143,386)

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Chenab

Cash Flow Statement

for the year ended June 30, 2014

	2014 Rupees	2013 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(389,041,169)	(488,777,503)
Adjustments for		
Depreciation on operating assets	212,865,899	218,832,051
Provision for staff retirement gratuity	29,201,647	24,663,881
(Gain) on disposal of operating assets	(1,457,023)	(3,524,798)
Finance cost	111,074,160	105,702,543
Balances written back - net	(109,337,840)	(137,397,193)
Operating cash flows before working capital changes	(146,694,326)	(280,501,019)
Changes in working capital		
Decrease / (increase) in current assets		
Stores, spares and loose tools	88,859,101	161,538,370
Stock in trade	10,277,178	23,329,205
Trade debts	248,803,695	(54,424,194)
Loans and advances	(16,633,140)	44,308,317
Deposits and prepayments	97,681	2,591,440
Other receivables	8,465,477	43,248,848
Tax refunds due from Government	38,376,812	2,615,478
	378,246,804	223,207,464
(Decrease) in current liabilities		
Trade and other payables	(131,669,071)	(42,468,097)
	246,577,733	180,739,367
Cash generated from / (used in) operations	99,883,407	(99,761,652)
Income tax paid	(11,283,830)	(8,933,580)
Finance cost paid	(10,619,702)	(14,036,970)
Staff retirement gratuity paid	(5,980,256)	(1,648,938)
Net cash generated from / (used in) operating activities	71,999,619	(124,381,140)
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in operating assets	(5,305,667)	(24,907,685)
Proceeds from disposal of operating assets	1,645,000	508,905
Long term deposits	-	(3,832,000)
Net cash (used in) investing activities	(3,660,667)	(28,230,780)

Chenab

	2014 Rupees	2013 Rupees
c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	34,200,000	-
Repayment of :		
Long term financing	(264,320,000)	(36,196,000)
Liabilities against assets subject to finance lease	(1,308,129)	(276,258)
Increase in short term bank borrowings - net	184,466,431	176,100,585
Net cash (used in) / generated from financing activities	(46,961,698)	139,628,327
Net increase / (decrease) in cash and cash equivalents (a+b+c)	21,377,254	(12,983,593)
Cash and cash equivalents at the beginning of the year	16,723,312	29,706,905
Cash and cash equivalents at the end of the year	38,100,566	16,723,312

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Chenab

Statement of Changes in Equity

for the year ended June 30, 2014

	Issued, subscribed and paid up capital	Cumulative preference shares	Capital reserves: Premium on issue of ordinary shares	Capital reserves: Book difference of capital under scheme of arrangement for amalgamation	Capital reserves: Preference shares redemption reserve	Capital reserves: Sub total	Revenue reserves: General reserve	Revenue reserves: Accumulated loss	Revenue reserves: Sub total	Total
	Rupees									
Balance as at July 01, 2012 as previously reported	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(5,518,086,525)	(5,441,653,691)	(3,965,243,939)
Effect of change in accounting policy (Note 2.4)										
Recognition of cumulative unrecognized actuarial gain for the year ended June 30, 2012	-	-	-	-	-	-	-	12,837,182	12,837,182	12,837,182
Balance as at July 01, 2012 as restated	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(5,505,249,343)	(5,428,816,509)	(3,952,406,757)
Total comprehensive (loss) for the year										
(Loss) for the year	-	-	-	-	-	-	-	(494,087,182)	(494,087,182)	(494,087,182)
Other comprehensive income										
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the year	-	-	-	-	-	-	-	30,582,773	30,582,773	30,582,773
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	8,341,023	8,341,023	8,341,023
	-	-	-	-	-	-	-	(455,143,386)	(455,143,386)	(455,143,386)
Balance as at June 30, 2013 as restated	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(6,960,392,729)	(6,883,959,895)	(4,407,550,143)
Total comprehensive (loss) for the year										
(Loss) for the year	-	-	-	-	-	-	-	(399,288,530)	(399,288,530)	(399,288,530)
Other comprehensive income										
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the year	-	-	-	-	-	-	-	29,230,498	29,230,498	29,230,498
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	(4,244,209)	(4,244,209)	(4,244,209)
	-	-	-	-	-	-	-	(374,302,241)	(374,302,241)	(374,302,241)
Balance as at June 30, 2014	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(7,334,694,970)	(7,258,262,136)	(4,781,852,384)

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Chenab

Notice to The Financial Statements

for the year ended June 30, 2014

1. STATUS AND ACTIVITIES

1.1 Chenab Limited (the Company) is incorporated as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the Company is situated at Nishatabad, Faisalabad, in the province of Punjab. The principal business of the Company is export of all kinds of value added fabrics, textile made-ups, casual and fashion garments duly processed. The cloth processing unit is located at Nishatabad, District Faisalabad, and stitching units are located at Nishatabad, District Faisalabad and Shorkot Road, District Toba Tek Singh. Weaving units are located at Sheikhupura Road, Khurrianwala, District Faisalabad, Jhumra Road, Gatti, District Faisalabad, Sheikhupura Road, Kharrianwala, District Sheikhupura and Shahkot, District Nankana Sahib. Spinning unit is located at Shorkot Road, District Toba Tek Singh, in the province of Punjab.

1.2 Pursuant to schemes of arrangement approved by the Honourable Lahore High Court, Lahore, assets liabilities and reserves of Faisal Weaving (Private) Limited, Latif Weaving (Private) Limited and Chenab Finishing (Private) Limited were merged with the Company with effect from December 31, 1998 and assets, liabilities and reserves of Chenab Fibres Limited were merged with the Company with effect from April 01, 2003.

1.3 The Company has incurred operating losses of Rs. 399.29 million. As at June 30, 2014 the accumulated loss of the Company is Rs. 7,334.69 million and the current liabilities exceed its current assets by Rs. 7,641.91 million. The Company has not redeemed preference shares on exercise of put options for two consecutive years by holders of preference shares due to tight cash flow situation. The Company has not been able to comply with terms of certain loan agreements. Certain banks and financial institutions have filed cases for recovery and winding up of the Company which the management is defending. The litigation has also adversely affected the process of negotiations with banks for extension and re-scheduling of credit facilities.

Management's efforts for making re-scheduling arrangements with lenders are not so far fully materialised, however the management has been able to reach at agreement with two major lenders to restructure the loan. Short term facilities were converted to long term loans and fresh facility of murabaha finance was obtained. The management is hopeful that arrangements with other lenders will also materialise in due course. The management is vigorously pursuing the recovery of old outstanding debts and also exploring the possibility of disposal of certain non core fixed assets to meet the working capital requirements.

On the operational side, the management continued toll manufacturing and making efforts to increase the volume of business. In view of prolonged energy crisis and delay in anticipated improvement in gas supply through purchase of LNG, the management decided to make necessary adjustments in machinery to use coal based boilers and oil heaters as an alternate source of energy to increase capacity utilization. The planning to enhance alternate energy source could not produce desired results due to operational difficulties and non-availability of working capital facilities. Due to continued load management by the utility suppliers, the desired results could not be achieved and the core issue of higher operating cost due to lower production could not be resolved. The management is in regular contact with foreign customers and making small export shipments. The quantum of export could not be increased despite export orders due to shortage of working capital and delay in settlements with bankers. The management is negotiating with banks for working capital facilities and successful settlements of overdue loans and hopeful of favourable results. The management is confident that the Company will be able to continue as a going concern.

1.4 These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2013 and therefore, have been applied in preparing these financial statements:

- IFRS 7 (Amendments) "Financial Instruments Disclosures" on offsetting financial assets and financial liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The Company does not have any offsetting arrangements in place, therefore, the amendments do not have material impact on the disclosures.

- IFRS 13 "Fair Value Measurement" establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value for financial reporting purposes, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of IFRS 13 may result in changes in how entities determine fair values for financial reporting purposes. IFRS 13 requires extensive disclosures about fair value measurements. For example, quantitative and qualitative disclosures based on the three level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures are extended by IFRS 13 to cover all assets and liabilities within its scope. The standard is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the standard may result in more extensive disclosures in financial statements.

- IAS 19 "Employee Benefits" The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Net interest recognised in profit or loss and calculated by applying the discount rate at the beginning of each reporting period to the net defined benefit liability or asset at the beginning of that reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

  The amendment has resulted in change in accounting policy of the Company with respect to staff retirement gratuity (Refer Note 2.4).

2.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2013 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

2.2.3 Standards, amendments to standards and interpretations becoming effective in future

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates:

- IFRS 9 Financial Instruments (2014): A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment hedge accounting, de-recognition:

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

  IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before 1 February 2015. The management of the Company is reviewing the changes to evaluate the impact of application of standard on the financial statements.

- IFRS 15 Revenue from Contracts with Customers: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

  Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2017. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

- Amendment to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets": In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendment is effective for accounting periods beginning on or after January 01, 2016. The application of amendment is not expected to have any material impact on the Company's financial statements.

- IAS 19 "Employee Benefits": These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service. The amendments are effective for accounting periods beginning on or after July 01, 2014. The application of amendments is not expected to have nay material impact on the Company's financial statements.

- IAS 32 (Amendment) "Financial Instruments: Presentation". This amendment updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2014. The application of the amendment is not expected to have any material impact on the Company's financial statements.

- IAS 36 "Impairment of Assets": These amendments address the disclosures and clarify the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

- IAS 39 "Financial Instruments Recognition and Measurement": These amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

- The IASB has issued Annual Improvements to IFRS's 2010-2012 Cycle

  Amendments to the following standards were made which are effective for accounting periods beginning on or after July 01, 2014:

  IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

  IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

  IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

  IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

  IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

  These amendments are not expected to have any material impact on the Company's financial statements.

- The IASB has issued Annual Improvements to IFRS's 2011-2013 Cycle

  Amendments to the following standards were made which are effective for accounting periods beginning on or after July 01, 2014:

  IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

  IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

  IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.

  IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

  These amendments are not expected to have any material impact on the Company's financial statements.

- IFRIC 21 Levies

  This interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

  The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides guidance on recognition of a liability to pay levies. The interpretation is effective for accounting periods beginning on or after January 01, 2014. The application of the interpretation is not expected to have material impact on the Company's financial statements.

2.2.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

2.3 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except: -

- certain property, plant and equipment carried at valuation; and
- staff retirement gratuity carried at present value.

The principal accounting policies adopted are set out below:

2.4 Staff retirement benefits

The Company operates a defined benefit plan - unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. Cumulative unrecognised net actuarial gains and losses that exceed ten percent of present value of defined benefit obligation are amortised over the expected average remaining working lives of participating employees.

The policy of staff retirement gratuity has been changed to comply with the requirements of amended IAS-19 (Refer Note 2.2.1). The change has been applied retrospectively in accordance with the requirements of IAS-8 "Accounting Policies, Change in Accounting Estimates and Errors".

The effects of retrospective application of the change in accounting policy are as follows :

	2013		
	Before restatement	As restated	Re-statement adjustment
Defined benefit liability	111,138,359	90,228,566	20,909,793
Accumulated loss	(6,981,302,522)	(6,960,392,729)	(20,909,793)
Total comprehensive loss	(463,215,997)	(455,143,386)	(8,072,611)

2.5 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Asset held under finance lease is recognised as asset of the Company at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liability against asset subject to finance lease. The liability is classified as current and non current depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liability against asset subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

2.6 Trade and other payables

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

2.7 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.8 Provision for taxation

Current

Provision for current taxation is based on income taxable at the current tax rates after taking into account tax rebates and tax credits available under the law.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

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

2.9 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

2.10 Property, plant and equipment

Property, plant and equipment except freehold land and capital work in progress are stated at cost / revaluation less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work in progress is valued at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note, except plant and machinery and electric installations. Plant and machinery is depreciated applying the unit of production method subject to minimum charge of Rs. 100 million to cover obsolescence and electric installations are depreciated applying the straight line method over their economic serviceable life taken at 25 years.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition or capitalisation and up to the month preceding the month of disposal respectively.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items of property, plant and equipment.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains or losses on disposal of property, plant and equipment are included in current income.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent of reversal of deficit previously charged to income, in which case that portion of the surplus is recognised in income. Deficit on revaluation of an item of property, plant and equipment is charged to surplus on revaluation of that asset to the extent of surplus and any excess deficit is charged to income. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets and surplus realised on disposal of revalued asset is transferred to unappropriated profit / (accumulated loss) through statement of comprehensive income.

Assets subject to finance lease

In view of certainty of ownership of the assets at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation. These assets are depreciated over their expected useful lives on the same basis as owned assets except building under lease which is depreciated on straight line basis over its lease term of 61 years.

2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss account in the period in which these are incurred.

2.12 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.13 Stores, spares and loose tools

These are valued at moving average cost less allowances for obsolete or slow'moving items, if any. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

2.14 Stock in trade

Stock in trade except wastes are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw material	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost to make the sales. Average manufacturing cost consists of direct materials, labour and a proportion of manufacturing overheads.

2.15 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

2.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

2.17 Foreign currency translation

Transactions in currencies other than Pak Rupee are recorded at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the dates of transactions.

2.18 Financial instruments

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

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.19 Offsetting of financial asset and financial liability

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

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales are recorded on dispatch of goods.

2.21 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

2.22 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory and staff retirement gratuity. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

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3. Issued, subscribed and paid up capital

2014	2013		2014	2013
Number of shares			Rupees	Rupees
35,985,702	35,985,702	Ordinary shares of Rs. 10/- each fully paid in cash.	359,857,020	359,857,020
73,869,559	73,869,559	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	738,695,590	738,695,590
5,144,739	5,144,739	Ordinary shares of Rs. 10/- each issued as fully paid under scheme of arrangement for amalgamation	51,447,390	51,447,390
115,000,000	115,000,000		1,150,000,000	1,150,000,000

4. Cumulative preference shares

2014	2013		2014	2013
Number of shares			Rupees	Rupees
80,000,000	80,000,000	Cumulative preference shares of Rs. 10/- each fully paid in cash	800,000,000	800,000,000

4.1 The preference shares are non-voting, cumulative and redeemable. These are listed on Karachi Stock Exchange. The holders are entitled to cumulative preferential dividend at 9.25% per annum on the paid up value of preference shares. In case profits in any year are insufficient to pay preferential dividend, the dividend will be accumulated and payable in next year.

4.2 In case the Company fails to redeem cumulative preference shares upon exercise of put options by the holders for any two consecutive years, the holders were entitled to convert the cumulative preference shares into ordinary shares at a price equal to lower of:

a) 75% of market value of shares or

b) 75% of book value (break up value) or

c) face value of shares

The dates to exercise put options have been expired on September 25, 2010.

4.3 The holders of 55,080,498 cumulative preference shares called upon to convert preference shares into ordinary shares due to non redemption of their holding on exercise of put options for two consecutive years. The Company proposed to issue new ordinary shares to preference shareholders holding 49,984,998 cumulative preference shares who have called upon to convert their shares, as per conversion formula laid down in the Prospectus (Refer above 4.2) and Articles of Association of the Company. In view of the reservations one of the investors filed application under Section 474 of the Companies Ordinance 1984 before the Securities and Exchange Commission of Pakistan which was not entertained by the SECP being out of domain of Companies Ordinance 1984. On appeal, the Appellant Bench of SECP remanded the matter for reconsideration in the light of certain observations of Appellant Bench. The SECP has initiated fresh proceedings and the matter is still pending for decision. The matter of conversion of balance of 5,095,500 cumulative preference shares is also pending till the resolution of matter with the investors who have first exercised the put options.

4.4 The cumulative preference shares have been classified as part of equity capital in accordance with the terms and conditions of issue, taking into consideration the classification of share capital as indicated in the various provisions of the Companies Ordinance, 1984. Further the contradictions between classification of share capital in the various provisions of the Companies Ordinance, 1984 and International Accounting Standards is pending for clarification before the Securities and Exchange Commission of Pakistan.

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5. Capital reserves	Note	2014 Rupees	2013 Rupees
Premium on issue of ordinary shares		120,000,000	120,000,000
Merger reserve	5.1	63,552,610	63,552,610
Preference shares redemption reserve	5.2	342,857,142	342,857,142
		526,409,752	526,409,752

5.1 It represents book difference of capital under schemes of arrangement for amalgamation.

5.2 It was created as per directive of State Bank of Pakistan and transferable into accumulated loss in due course as the dates of exercising put options for redemption have already been expired.

6. Revenue reserves	Note	2014 Rupees	2013 Rupees
General reserve		76,432,834	76,432,834
(Accumulated loss)			
Opening balance		(6,960,392,729)	(6,505,249,343)
Total comprehensive loss for the year		(374,302,241)	(455,143,386)
		(7,334,694,970)	(6,960,392,729)
		(7,258,262,136)	(6,883,959,895)

7. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	Note	2014 Rupees	2013 Rupees
Opening balance		5,122,524,353	5,153,107,126
Incremental depreciation on revalued assets for the year		(29,230,498)	(30,582,773)
Deferred tax on surplus	10.2	(92,986,690)	
		5,000,307,165	5,122,524,353

7.1 Latest revaluation of freehold land, building on freehold land, plant and machinery, electric installations and generators was carried out by independent valuer M/S Consultancy Support & Services as at December 31, 2009. Revaluation of freehold land was carried out on market value basis and revaluation of all other assets was carried out on depreciated replacement cost basis.

8. Long term financing	Note	2014 Rupees	2013 Rupees
Secured			
Under mark up arrangements			
From banking companies			
Fixed assets finance	8.1	239,227,233	239,227,233
Demand finances	8.1	1,405,500,000	1,667,320,000
Term finances	8.1	1,678,882,197	1,678,882,197
Long term finance	8.1	157,245,796	157,245,796
Diminishing Musharakah	8.2	250,000,000	-
From financial institutions			
Term finances	8.1	560,360,533	560,360,533
Long term finances	8.1	78,434,529	78,434,529
Not subject to mark up			
From financial institutions			
Term finance IX	8.3	58,351,091	58,351,091
Term finance XI	8.4	74,000,000	76,500,000
		4,502,001,379	4,516,321,379
Less: Current portion			
Installments due		1,987,269,510	1,567,756,662
Payable within one year		491,192,936	486,349,098
		2,478,462,446	2,054,105,760
		2,023,538,933	2,462,215,619
Unsecured - From directors and associate	8.5	330,853,086	296,653,086
		2,354,392,019	2,758,868,705

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8.1 The terms of repayment of finances are as under:

Nature of loans	Balance Rupees	Number of instalments	Payment rests	Commencement date	Ending date	Markup rate
From banking companies:						
Fixed assets finance	239,227,233	10	Half yearly	30-Sep-10	31-Mar-15	6 Months KIBOR + 0.5% p.a
Demand finances						
III	65,000,000	15	Quarterly	26-Jun-10	26-Dec-13	3 Months KIBOR + 1.5% p.a
IV	146,000,000	10	Half yearly	30-Sep-10	31-Mar-15	6 Months KIBOR + 0.5% p.a
VII	1,194,500,000	(Refer Note 8.1.1)				
	1,405,500,000					
Term finances						
II	191,481,436	12	Half yearly	31-Jul-14	30-Apr-20	6 Months KIBOR
III	106,250,000	60	Monthly	01-Oct-09	01-Sep-14	1 Month KIBOR + 0.5% p.a
IV	475,352,000	20	Quarterly	30-Sep-10	30-Jun-15	3 Months KIBOR + 2.5% p.a with a floor of 11% p.a
V	121,000,000	10	Quarterly	30-Sep-10	31-Dec-12	3 Months KIBOR + 3% p.a with a floor of 12% p.a
VI	130,000,000	60	Monthly	01-Nov-09	01-Oct-14	1 Month KIBOR + 0.5% p.a
VII	45,183,781	16	Quarterly	30-Jun-10	31-Mar-14	3 Months KIBOR + 3% p.a
VIII	118,750,000	12	Half yearly	31-Jul-14	30-Apr-20	6 months KIBOR
X	490,865,000	(Refer Note 8.1.2)				
	1,678,882,197					
Long term finances						
IV	65,754,250	20	Quarterly	30-Sep-07	30-Jun-13	SBP rate + 2% p.a
VII	40,000,000	8	Half yearly	20-Jun-07	20-Dec-10	SBP rate + 2% p.a
VIII	38,433,050	14	Quarterly	01-Jan-07	31-Jan-11	SBP rate + 2% p.a
X	13,058,496	24	Quarterly	28-Mar-10	28-Dec-15	SBP rate + 2% p.a
	157,245,796					
From financial institutions:						
Term finances						
I	300,000,000	20	Quarterly	01-Mar-11	01-Dec-15	6 Months KIBOR + 2.5% p.a
II	93,750,000	60	Monthly	23-Jan-11	23-Dec-15	6 Months KIBOR + 3% p.a with a floor of 10% p.a and rebate of 5% p.a during the grace period
III	47,916,667	60	Monthly	27-Jan-11	27-Dec-15	6 Months KIBOR + 3% p.a with a floor of 10% p.a and rebate of 5% p.a during the grace period
IV	37,500,000	8	Quarterly	01-Mar-11	01-Dec-12	6 Months KIBOR + 3% p.a
V	48,537,616	12	Quarterly	29-Jul-11	29-Apr-14	3 Months KIBOR + 2.5% p.a
VI	17,578,125	16	Quarterly	29-Apr-09	29-Jan-13	6 Months KIBOR + 3% p.a
VII	15,078,125	16	Quarterly	29-Apr-09	29-Jan-13	6 Months KIBOR + 3% p.a
	560,360,533					
Long term finances						
II	3,090,689	36	Monthly	09-Jan-07	09-Dec-09	SBP rate + 2% p.a
III	12,586,768	48	Monthly	28-Apr-07	28-Mar-11	SBP rate + 2% p.a
IV	24,381,000	9	Half yearly	31-Dec-07	31-Dec-12	SBP rate + 2% p.a
V	12,179,477	13	Quarterly	31-Mar-07	28-Feb-10	SBP rate + 2% p.a
V	18,888,895	13	Quarterly	31-Mar-07	28-Feb-11	SBP rate + 2% p.a
VII	7,307,700	13	Quarterly	31-Mar-07	31-Mar-11	SBP rate + 2% p.a
	78,434,529					

The loans are secured against first charge over fixed assets of the Company ranking pari pasu with the charges created in respect of export and running finances (Refer Note 13.2) and murabaha finances (Refer Note 13.3). These are further secured by personal guarantee of directors of the Company.

The effective rate of mark up charged during the year is 5% to 9% per annum.

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LIMITED

8.1.1 Terms of repayment have been revised during the year. Out of restructured loan of Rs. 1,394.50 million, Rs. 200 million has been repaid in lump sum in June 2014, and balance amount of Rs. 1,194.50 million is repayable as under ;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
1	17,500,000	17,500,000	30-Jun-14	
1	17,500,000	17,500,000	30-Jun-14	30-Sep-14
31	20,000,000	620,000,000	31-Dec-14	30-Jun-22
8	41,850,000	334,800,000	30-Sep-22	30-Jun-24
4	44,350,000	177,400,000	30-Sep-24	30-Jun-25
1	27,300,000	27,300,000	30-Sep-25	
46		1,194,500,000		

It is subject to mark up at the rate of 5% per annum. Overdue mark up plus mark up for the period till September 30, 2025 will be repaid in 20 equal instalments commencing from December 30, 2025 and ending on September 30, 2030 (Refer Note 10). The securities have been disclosed in Note 8.1 above.

8.1.2 Total amount of the loan was Rs. 499.581 million out of which Rs. 6 million was payable in 12 equal monthly installments commenced from July 01, 2011 and ending on June 01, . 012, Rs. 243.581 million is payable in 54 equal monthly installments commenced from July 01, 2012 and ending on December 01, 2016 and the balance amount of Rs 250 million will be reclassified as a regular limit from January 1, 2017. Terms of repayment of balance amount of Rs. 250 million are not decided.

It is subject to mark up at the rate of 9% per annum. Markup will be deferred and will be repaid in 34 monthly installments commencing from January 2017 and ending on October 2019 (Refer Note 10). Markup accrual and deferral has been suspended due to filing of case for recovery by the lender.

8.2 Short term finance of Rs. 250 million has been converted into long term diminishing Musharakah. It is repayable in nine years in quarterly installments as follows :

No. of installments	Installment amount	Total amount	Commencing from	Ending on
4	3,500,000	14,000,000	21-Aug-14	21-May-15
4	5,250,000	21,000,000	21-Aug-15	21-May-16
20	7,000,000	140,000,000	21-Aug-16	21-May-21
4	8,750,000	35,000,000	21-Aug-21	21-May-22
4	10,000,000	40,000,000	21-Aug-22	21-May-23
36		250,000,000		

For the purpose of repayment of installments , deduction will be made out of export proceeds (7% for first seven years, 8.7% for 8th year and 10% for the last year) and will be kept in a separate bank account under lien. It is subject to mark up at the rate of one year KIBOR plus 3 % per annum with a cap of 7% per annum and a grace period of 4 years for markup accrual. Overdue mark up of Rs. 45.213 million plus mark up for the period from May 2018 to May 2023 will be repaid in 20 equal quarterly installments commencing from August 2023 and ending on May 2028 (Refer Note 10).

It is secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of short term borrowings (Refer Note 13.2). It is further secured against ranking charge over current and fixed assets, mortgage of property owned by another public company, lien on export documents, corporate guarantee of another public company and by personal guarantee of directors of the Company.

8.3 Mark up of Rs. 58.351 million outstanding as at November 30, 2009 has been converted into term finance IX. It was repayable in 4 equal quarterly installments commenced from September 01, 2010 and ending on June 01, 2011. It is not subject to mark up. The securities are disclosed in Note 8.1.

8.4 It is payable in 52 monthly installments as under;

No. of	Installment amount	Total amount	Commencing	Ending on
1	500,000	500,000	5-Dec-13	-
12	1,000,000	12,000,000	5-Jan-14	5-Dec-14
12	1,500,000	18,000,000	5-Jan-15	5-Dec-15
12	2,000,000	24,000,000	5-Jan-16	5-Dec-16
9	2,000,000	18,000,000	5-Jan-17	5-Sep-17
1	1,500,000	1,500,000	5-Oct-17	-
47		74,000,000		

It is secured against first charge over fixed assets of the Company.

8.5 It is interest free. Directors' loan of Rs. 196.617 million (2013: Rs. 196.617 million) is subordinated to fixed assets finance and term finances III, VI, VII and X and long term finance VII from banking companies and term finances IV, V, VI and VII from financial institutions. Associate's loans of Rs 34.20 million (2013 : Rs. Nil) are repayable in lump sum on June 30, 2017. Terms of repayment of loans of Rs. 296.53 million (2013: Rs. 296.53 million) have not been decided so far.

	Note	2014 Rupees	2013 Rupees
9. Liabilities against assets subject to finance lease			
Opening balance			
Principal		35,461,888	35,745,179
Grace period mark up		12,748,173	10,297,888
		48,210,061	46,043,067
Grace period mark up for the year		-	2,443,252
		48,210,061	48,486,319
Paid / transferred during the year	9.2	(14,056,302)	(13,024,431)
		34,153,759	35,461,888
Shown under current liabilities			
Installments due		(6,997,526)	(6,385,654)
Payable within one year		(3,360,000)	(1,920,000)
		(10,357,526)	(8,305,654)
		23,796,233	27,156,234

9.1 These represent plant and machinery and generators acquired under separate lease agreements. The purchase option is available to the Company on payment of last installment and surrender of deposit at the end of the lease period.

9.2 The principal plus financial charges are payable over the lease period in monthly and half yearly. Certain portion of mark up under one lease agreement is deferred till June 2016 and is payable in 41 monthly installements. The liability represents the total minimum lease payments discounted at 14.48% to 16.53% per annum being the interest rates implicit in leases.

9.3 The future minimum lease payments to which the Company is committed as at the year end are as under:

Year ending June 30,	2014 Rupees	2013 Rupees
2014	-	9,252,904
2015	11,864,774	4,200,000
2016	6,000,000	6,000,000
2017	11,347,174	11,347,174
2018	9,994,278	9,994,278
	39,206,226	40,794,356
Financial charges		
Payable	(1,549,161)	(1,349,161)
Allocated to future periods	(3,503,306)	(3,983,307)
	(5,052,467)	(5,332,468)
	34,153,759	35,461,888

9.4 Reconciliation of minimum lease payments and their present value is given below:

	2014		2013	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	Rupees			
Due within one year	11 864 774	10,357 526	9 252 904	8 305 654
Due after one year but not later than five years	27 341 452	23,796 233	31 541 452	27 156 234
	39 206 226	34 153 759	40 794 356	35 461 888

	Note	2014 Rupees	2013 Rupees
10. Deferred liabilities			
Staff retirement gratuity	10.1	100,794,246	90,228,566
Deferred taxation	10.2	92,986,690	-
Deferred mark up on			
Demand finance VII	8.1.1	387,679,335	316,417,651
Term finance X	8.1.2	168,535,129	168,535,129
Diminishing musharakah	8.2	54,487,842	-
Liabilities against assets subject to finance lease	9.2	15,654,541	12,748,173
		626,356,847	497,700,953
		820,137,783	587,929,519

10.1 Staff retirement gratuity

10.1.1 General description

The scheme provides terminal benefits for all employees of the Company who attain the minimum qualifying period of service as defined in the scheme. Annual charge is based on actuarial valuation using the Projected Unit Credit Method. Latest actuarial valuation is carried out as at June 30, 2014.

	Note	2014 Rupees	2013 Rupees
10.1.2 Balance sheet reconciliation as at June 30.			
Present value of defined benefit obligation		100,794,246	90,228,566
10.1.3 Movement in net liability recognized			
Opening balance		90,228,566	101,530,651
Charge for the year	10.1.4	29,201,647	24,663,881
Paid / adjusted during the year		(5,980,256)	(1,648,938)
Benefits payable		(16,899,921)	(25,976,005)
Remeasurement of obligation		4,244,209	(8,341,023)
Balance at June 30		100,794,245	90,228,566
10.1.4 Charge for the year			
Service cost		20,140,972	16,761,107
Interest cost		9,060,675	10,964,772
Curtailment gain		-	(3,061,998)
		29,201,647	24,663,881

10.1.5 Principal actuarial assumptions

	2014	2013
Discount factor used	13.25% Per annum	11.5% Per annum
Expected rate of increase in salaries	12.25% Per annum	10.5% Per annum
Expected average remaining working lives of participating employees	10 years	10 years

10.1.6 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is :

		Reworked defined benefit obligation	
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	100 bps	99 119 949	102,512,760
Salary increase rate	100 bps	102 512 760	99 090 311

10.1.7 The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied as for calculating the liability of staff retirement gratuity

	Note	2014 Rupees	2013 Rupees
10.2 Deferred taxation			
Deferred tax on surplus on revaluation	10.2.1	92,986,690	-
10.2.1 It comprises of the followings:			
Deferred tax liability :			
Difference in tax and accounting bases of property plant and equipment		1,093,401,404	-
Deferred tax assets :			
Unadjusted tax losses		(969,399,236)	-
Staff retirement gratuity		(20,757,828)	-
Lease liability		(10,257,650)	-
		92,986,690	-

11. Trade and other payables

	Note	2014 Rupees	2013 Rupees
Creditors	11.1	1,389,123,686	1,596,079,357
Accrued liabilities		82,172,873	80,813,833
Advance from customers		143,254,742	160,737,647
Unclaimed dividend		366,071	366,071
Other		3,030,949	4,058,403
		1,617,948,321	1,842,055,311

11.1 It includes Rs. 418,762 /- (2013: Rs. 418,762/-) payable to an associated undertaking.

	Note	2014 Rupees	2013 Rupees
12. Interest / markup payable			
Interest / mark up payable on			
Long term financing		543,210,769	543,210,769
Liabilities against assets subject to finance lease		1,549,161	1,349,161
Short term bank borrowings		729,397,036	757,798,472
		1,274,156,966	1,302,358,402
13. Short term bank borrowings			
Secured			
Under mark up arrangements			
Export finances	13.2	4,936,910,225	5,097,204,813
Finance against trust receipts	13.2	18,304,000	18,301,847
Running finance	13.2	547,977,473	559,176,044
Murabaha finances	13.3	177,957,437	72,000,000
		5,681,149,135	5,746,682,704

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13.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs 128.20 million (2013 Rs. 271.37 million). Total sanctioned limits are Rs. 6.23 billion (2013 Rs. 6.42 billion) out of which limits of Rs 5.58 billion (2013 Rs 5.58 billion) are expired and renewable.

13.2 These are secured against first charge over current assets of the Company ranking pari passu with the charge created in respect of long term diminishing musharakah (Refer Note 8.2), lien on import / export documents and second charge over current and fixed assets of the Company. These are further secured by personal guarantee of directors of the Company and mortgage of property and corporate guarantee of a sister concern. Certain export and running finances are further secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term financing (Refer Note 8.1) and murabaha finances (Refer Note 13.3). Export finances of Rs. 374.13 million (2013 Rs. 374.13 million) are also secured against equitable mortgage / deposit of title deeds of personal properties of directors and an associate. Un-expired loans are subject to mark up at the rate of one month KIBOR plus 0.5% per annum. Mark up charged on these loans during the year ranges from 10.59% to 10.97% per annum (2013: 9.69% to 10.79% per annum).

13.3 These are secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term financing (Refer Note 8.1) and export and running finances (Refer Note 13.2). These are further secured by personal guarantee of directors of the Company. Un-expired loans are subject to mark up at the rate of six months KIBOR plus 1% per annum. Mark up charged on these loans during the year ranges from 10.92% to 11.19% per annum.

	2014 Rupees	2013 Rupees
14. CONTINGENCIES		
Contingencies		
In respect of bank guarantees issued on behalf of the Company		
Sui Northern Gas Pipelines Limited for supply of gas	51,269,400	51,452,400
District Government against imposition of license fee	200,000	200,000
Demand of custom duty and sales tax not acknowledged in view of pending appeals	40,066,155	40,066,155
Demand of income tax not acknowledged in view of pending appeal	8,634,737	-
Demand of wealth tax not acknowledged in view of pending appeals	1,016,400	1,016,400
Liability of workers' welfare fund not acknowledged. The Company is claiming exemption from levy	4,372,802	3,984,509
Post dated cheques issued in favour of Collector of Customs for release of goods imported for re-export	-	13,011,312
Demands of Employees' Old Age Benefits Institution and Punjab Employees Social Security Institution are not acknowledged in view of pending litigations	15,452,641	15,452,641
Liability of markup not acknowledged in view of Company's request for availing non serviceable grace period on the outstanding liabilities. Mark up has been calculated at the last agreed mark up rates.	1,580,926,041	1,324,397,012
Cases are pending before Foreign Exchange adjudication officer, State Bank of Pakistan for non repatriation of export proceeds within prescribed times. The default may attract penalties. The financial impact cannot be determined at this stage	-	
Certain lenders have filed cases for recovery of long term and short term finances with claim of cost of funds. The claim has not been acknowledged due to pending litigation. Amount of claim cannot be determined at this stage.	-	-

15. Property, plant and equipment

Operating assets

Company owned

	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Generators	Factory equipment	Furniture and fixture	Office equipment	Vehicles	Sign boards	Sub total
	------Rupees------										
At July 01, 2012											
Cost / revaluation	2,185,661,252	2,056,716,631	6,679,198,155	312,825,712	442,400,000	76,154,940	31,876,409	83,035,794	37,802,646	525,240	11,913,205,717
Accumulated depreciation	-	(199,024,815)	(273,316,669)	(20,855,944)	(39,759,492)	(46,227,077)	(12,620,318)	(50,822,181)	(31,221,440)	(444,574)	(690,398,779)
Net book value	2,185,661,252	1,857,692,816	6,405,902,487	292,969,768	402,640,508	29,927,863	19,256,091	32,213,613	6,581,206	80,674	11,222,987,308
Year ended June 30, 2013											
Opening net book value	2,185,661,252	1,857,692,816	6,405,902,487	292,969,768	402,640,508	29,927,863	19,256,091	32,213,613	6,581,206	80,674	11,222,987,308
Additions	2,392,500	-	40,225,543	235,790	-	149,715	199,500	61,405	651,498	-	43,906,276
Disposals:											
Cost	-	-	-	-	-	-	-	-	(1,835,800)	-	(1,835,800)
Accumulated depreciation	-	-	-	-	-	-	-	-	1,330,502	-	1,330,502
	-	-	-	-	-	-	-	-	(505,298)	-	(505,298)
Depreciation charge	-	(74,307,753)	(97,596,973)	(12,521,514)	(20,132,027)	(3,006,543)	(1,936,611)	(3,225,597)	(1,204,852)	(8,337)	(213,940,313)
Closing net book value	2,188,053,752	1,783,385,063	6,348,494,054	270,680,644	382,508,511	27,071,052	17,509,080	29,049,42[illegible]	5,622,554	72,337	11,052,347,473
At July 01, 2013											
Cost / revaluation	2,188,053,750	2,056,716,631	6,719,411,695	313,061,302	442,400,000	76,304,685	39,066,209	83,097,199	36,718,344	525,248	11,915,356,263
Accumulated depreciation	-	(273,330,593)	(370,916,641)	(42,380,658)	(59,891,489)	(49,233,623)	(21,557,129)	(54,047,776)	(31,195,790)	(452,911)	(863,008,790)
Net book value	2,188,053,750	1,783,386,063	6,348,494,054	270,680,644	382,508,511	27,071,052	17,509,080	29,049,42[illegible]	5,622,554	72,337	11,052,347,473
Year ended June 30, 2014											
Opening net book value	2,188,053,750	1,783,386,063	6,348,494,054	270,680,644	382,508,511	27,071,053	17,509,080	29,049,42[illegible]	5,622,554	72,337	11,052,347,473
Additions	-	-	5,317,855	-	-	170,533	-	87,213	-	-	5,575,601
Disposals:											
Cost	-	-	-	-	-	-	-	-	(3,473,262)	-	(3,473,262)
Accumulated depreciation	-	-	-	-	-	-	-	-	3,285,286	-	3,285,286
	-	-	-	-	-	-	-	-	(187,976)	-	(187,976)
Depreciation charge	-	(71,336,443)	(97,598,836)	(12,522,460)	(19,126,426)	(2,708,727)	(1,750,908)	(2,910,649)	(411,800)	(7,234)	(208,371,383)
Closing net book value	2,188,053,750	1,712,050,620	6,255,945,173	258,158,184	363,382,085	24,532,832	15,758,172	26,225,984	4,922,778	65,103	10,849,093,581
At June 30, 2014											
Cost / revaluation	2,188,053,750	2,056,716,031	6,724,458,050	313,061,302	442,400,000	76,475,185	39,066,209	83,184,411	33,245,082	525,240	11,927,168,300
Accumulated depreciation	-	(344,666,011)	(468,516,477)	(54,903,118)	(79,018,515)	(51,942,353)	(23,308,037)	(56,958,427)	(28,322,304)	(460,145)	(1,078,075,587)
Net book value	2,188,053,750	1,712,050,620	6,255,945,173	258,158,184	363,382,085	24,532,832	15,758,172	26,225,984	4,922,778	65,103	10,849,093,581
Annual rate of depreciation (%)		4	-	-	05	10	10	10	20	10	

Under lease

	Building	Plant and machinery	Generators	Sub total	Total
	------Rupees------				
At July 01, 2012					
Cost / revaluation	7,405,200	211,268,114	85,300,000	303,973,314	12,217,259,101
Accumulated depreciation	(1,580,184)	(52,552,806)	(29,516,975)	(83,649,957)	(774,048,740)
Net book value	5,825,016	158,715,308	55,783,025	220,323,347	11,443,210,355
Year ended June 30, 2013					
Opening net book value	5,825,016	158,715,308	55,783,025	220,323,347	11,443,210,355
Additions	-	-	-	-	43,906,276
Disposals:					
Cost	-	-	(19,339,333)	(19,339,333)	(21,169,133)
Accumulated depreciation	-	-	6,354,524	6,354,524	6,685,026
	-	-	(13,078,809)	(13,078,809)	(14,484,107)
Depreciation charge	(121,397)	(2,403,027)	(2,307,114)	(4,891,538)	(218,832,051)
Closing net book value	5,703,619	156,312,275	39,437,102	201,453,000	11,253,800,47[illegible]
At July 01, 2013					
Cost / revaluation	7,405,200	211,268,114	65,990,667	284,663,981	12,200,020,244
Accumulated depreciation	(1,701,581)	(54,955,835)	(26,528,565)	(83,186,981)	(946,195,771)
Net book value	5,703,619	156,312,275	39,437,102	201,453,000	11,253,800,47[illegible]
Year ended June 30, 2014					
Opening net book value	5,703,619	156,312,275	39,437,102	201,453,000	11,253,800,473
Additions	-	-	-	-	5,575,601
Disposals:					
Cost	-	-	-	-	(3,473,262)
Accumulated depreciation	-	-	-	-	3,285,286
	-	-	-	-	(187,976)
Depreciation charge	(121,397)	(2,481,164)	(1,981,855)	(4,494,416)	(212,866,899)
Closing net book value	5,582,222	153,831,111	37,455,247	196,868,580	11,046,052,268
At June 30, 2014					
Cost / revaluation	7,405,200	211,268,114	65,990,667	284,663,981	12,211,832,346
Accumulated depreciation	(1,822,978)	(57,356,999)	(28,535,420)	(87,691,397)	(1,165,776,984)
Net book value	5,582,222	153,911,115	37,455,247	196,948,580	11,046,052,268
Annual rate of depreciation (%)	-	-	05		

	Note	2014 Rupees	2013 Rupees
15.1 Depreciation for the year has been allocated as under			
Cost of goods manufactured	26.1	207,785,308	212,456,754
Administrative expenses	29	5,080,591	6,375,297
		212,866,899	218,832,051

15.2 Had there been no revaluation, related figures of freehold land, building on freehold land, plant and machinery, electric installations and generators as at June 30, 2014 and 2013 would have been as follows:

2014			
Description	Cost	Accumulated depreciation	Written down value
	---------- Rupees ----------		
Freehold land	88,091,253	-	88,091,253
Building on freehold land	2,113,125,299	770,352,273	1,342,773,026
Plant and machinery	5,618,283,410	1,658,307,643	3,959,975,767
Electric installations	304,768,363	117,964,639	186,803,724
Generators	245,077,888	138,426,701	106,651,187
	8,369,346,213	2,685,051,256	5,684,294,957

2013			
Description	Cost	Accumulated depreciation	Written down value
	---------- Rupees ----------		
Freehold land	88,091,253	-	88,091,253
Building on freehold land	2,113,125,299	714,403,397	1,398,721,902
Plant and machinery	5,613,235,455	1,560,708,807	4,052,526,648
Electric installations	304,768,363	105,773,904	198,994,459
Generators	245,077,888	132,813,481	112,264,407
	8,364,298,258	2,513,699,589	5,850,598,669

15.3 Detail of disposals of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
	---------- Rupees ----------				
Vehicles (By negotiation)					
	1,177,927	1,076,745	101,182	450,000	Mrs. Waheeda Begum H # 535-A, Gulam Muhammadabad, FSD.
	934,380	902,052	32,328	220,000	Mr. Akram Khan P/O Chakdara, Gaddar, Ownzai, Lower Deer.
	610,955	569,670	41,285	175,000	Mr. Umair Ashiq Chak No.417/JB, Seowal, P/O Khas, Gojra, Toba Tek Singh.
	300,000	289,973	10,027	200,000	Mr. Ghulam Nabi Chak No. 275/RB, Kartarpur, P/O Khas, FSD.
	450,000	446,846	3,154	600,000	Mr. Naeem Akhtar Qasim Road, Ward No. 6, Sumundri, Faisalabad.
	3,473,262	3,285,286	187,976	1,645,000	
2014	3,473,262	3,285,286	187,976	1,645,000	
2013	21,169,133	6,685,026	14,484,107	18,008,905	

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	2014 Rupees	2013 Rupees

16. Long term deposits

	2014 Rupees	2013 Rupees
Lease key money	3,686,898	3,686,898
Security deposits	12,636,768	12,636,768
	16,323,666	16,323,666
Less: Current portion - Lease key money	3,686,898	3,686,898
	12,636,768	12,636,768

17. Stores, spares and loose tools

	2014 Rupees	2013 Rupees
Stores	448,828,063	509,822,163
Spares	22,066,027	49,928,408
Loose tools	1,030	3,650
	470,895,120	559,754,221

17.1 Stores and spares include items that may result in fixed capital expenditure but are not distinguishable

18. Stock in trade

	2014 Rupees	2013 Rupees
Raw material	57,082,186	54,600,246
Work in process	137,558,894	118,323,979
Finished goods	419,271,435	449,376,543
Waste	2,016,188	3,905,113
	615,928,703	626,205,881

18.1 Stock in trade amounting to Rs. 253.993 million (2013: Rs. 255.338 million) is at net realizable value

	2014 Rupees	2013 Rupees

19. Trade debts

	2014 Rupees	2013 Rupees
Considered good		
Secured		
Foreign	30,498,205	9,488,578
Unsecured		
Foreign	1,910,815,664	1,922,613,335
Local	196,407,250	454,422,901
	2,107,222,914	2,377,036,236
	2,137,721,119	2,386,524,814

20. Loans and advances

	2014 Rupees	2013 Rupees
Considered good		
Loans to employees		
Executives	505,000	465,000
Others	796,026	926,421
Advances		
Suppliers / contractors	56,675,075	39,951,540
Income tax	11,283,830	8,857,348
	69,259,931	50,200,309

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	Note	2014 Rupees	2013 Rupees

21. Deposits and prepayments

	Note	2014 Rupees	2013 Rupees
Deposits			
Security deposits		1,292,858	1,292,858
Current portion of long term deposits	16	3,686,898	3,686,898
Guarantee / export margin		7,644,616	7,644,616
Prepayments		34,798	132,479
		12,659,170	12,756,851

22. Other receivables

	Note	2014 Rupees	2013 Rupees
Export rebate / duty drawback		30,809,567	38,094,704
Excise duty		3,971,822	4,767,162
Other		-	385,000
		34,781,389	43,246,866

23. Tax refunds due from Government

	Note	2014 Rupees	2013 Rupees
Sales tax		32,419,508	58,814,841
Income tax		16,586,589	25,004,971
		49,006,097	83,819,812

24. Cash and bank balances

	Note	2014 Rupees	2013 Rupees
Cash in hand		8,515,708	530,365
Cash at banks			
In current accounts		29,584,858	16,192,947
		38,100,566	16,723,312

25. Sales

	Note	2014 Rupees	2013 Rupees
Export			
Fabrics / made ups / garments	25.1	508,133,307	560,488,155
Add: Export rebate / duty drawback		3,896,261	3,374,441
		512,029,568	563,862,596
Less:			
Commission		5,595,496	4,880,380
Discount		1,494,910	8,351,360
		7,090,406	13,231,740
		504,939,162	550,630,856
Local			
Yarn		1,214,263,086	1,017,083,416
Fabrics / made ups		221,137,037	265,606,890
Processing, conversion and stitching charges		325,212,139	338,404,200
		1,760,612,262	1,621,094,506
		2,265,551,424	2,171,725,362

25.1 It includes exchange gain of Rs. 784,800 (2013: Rs. 91,042,728/-).

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	Note	2014 Rupees	2013 Rupees

26. Cost of sales

	Note	2014 Rupees	2013 Rupees
Cost of goods manufactured	26.1	2,483,068,119	2,531,320,106
Finished goods			
Opening stock		453,281,656	468,185,077
Closing stock		(421,287,623)	(453,281,656)
		31,994,033	14,903,421
Cost of sales	26.2	2,515,062,152	2,546,223,527

26.1 Cost of goods manufactured

	Note	2014 Rupees	2013 Rupees
Raw material consumed	26.1.1	1,353,325,199	1,219,300,413
Salaries, wages and benefits		237,046,394	269,027,999
Staff retirement benefits		21,641,524	17,742,133
Stores and spares		171,823,728	253,955,940
Dyes and chemicals		58,327,809	71,662,490
Packing material		56,338,134	35,116,557
Repairs and maintenance		10,720,036	13,540,574
Fuel and power		303,987,121	295,718,230
Insurance		2,835,313	1,777,066
Depreciation	15.2	207,785,308	212,456,754
Other		78,472,468	100,366,065
		2,502,303,034	2,490,664,221
Work in process			
Opening stock		118,323,979	159,248,276
Closing stock		(137,558,894)	(118,323,979)
		(19,234,915)	40,924,297
		2,483,068,119	2,531,588,518

26.1.1 Raw material consumed

	Note	2014 Rupees	2013 Rupees
Opening stock		54,600,246	22,101,733
Purchases including purchase expenses		1,355,807,139	1,251,798,926
		1,410,407,385	1,273,900,659
Closing stock		(57,082,186)	(54,600,246)
		1,353,325,199	1,219,300,413

27. Other income

	Note	2014 Rupees	2013 Rupees
Income from assets other than financial assets:			
Sale of waste material		1,786,021	1,861,112
Rental income		7,296,250	5,190,000
Gain on disposal of operating assets		1,457,023	3,524,798
Balances written back - net		109,337,840	137,397,193
		119,877,134	147,973,103

28. Selling and distribution expenses

	Note	2014 Rupees	2013 Rupees
Advertisement and publicity		354,415	208,696
Carriage and freight		7,716,776	11,897,276
Export clearing and forwarding		4,876,923	13,105,310
Export development surcharge		1,203,795	1,174,649
Other		4,833,770	2,933,851
		18,985,679	29,319,782

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	Note	2014 Rupees	2013 Rupees
29. Administrative expenses			
Directors' remuneration		4,800,000	8,400,000
Salaries and benefits		59,020,137	58,976,910
Staff retirement benefits		7,560,123	6,921,748
Electricity		945,985	894,206
Postage, telephone and telex		3,282,977	2,868,197
Vehicles running and maintenance		17,280,952	16,089,443
Travelling and conveyance		17,423,880	11,787,688
Printing and stationery		1,470,223	3,235,655
Entertainment		4,449,249	4,251,887
Fees and subscriptions		1,351,453	1,734,844
Legal and professional		3,514,700	2,433,500
Rent, rates and taxes		850,169	741,392
Auditors' remuneration	29.1	813,500	786,000
Repairs and maintenance		835,353	968,229
Depreciation	15.2	5,080,591	6,375,297
Insurance		20,654	119,429
Other		647,790	377,279
		129,347,736	126,961,704

29.1 Auditors' remuneration

	2014 Rupees	2013 Rupees
Audit fee	500,000	500,000
Sundry services	263,500	236,000
Out of pocket expenses	50,000	50,000
	813,500	786,000

30. Finance cost

	Note	2014 Rupees	2013 Rupees
Interest / mark up on			
Long term financing	30.1	71,261,684	84,493,391
Liabilities against assets subject to finance lease		3,386,258	4,407,774
Short term bank borrowings	30.1	29,109,999	7,253,979
Bank charges and commission		7,316,109	9,547,399
		111,074,160	105,702,543

30.1 The Company is facing financial and operational problems. As part of its long term plan to overcome these problems, the management has filed applications to its bankers / financial institutions to reschedule the existing long term and short term borrowings along with outstanding mark up thereon (except demand finance VII, own source finance and murabaha finance) and to convert the entire outstanding liabilities into non serviceable loans / loans subject to reduced rate of mark up for a reasonable period of time. The Company is hopeful that its bankers / financial institutions will consider the proposals favorably, therefore no further provision of markup in respect of these long term and short term finances has been made as the mark up expense amount depends on the outcome of the application.

	Note	2014 Rupees	2013 Rupees
31. Provision for taxation			
Current			
For the year		8,185,918	3,232,808
For prior years		2,061,443	2,056,871
Deferred	31.1	-	-
		10,247,361	5,289,679

31.1 Deferred tax on surplus on revaluation of assets has been provided to the extent of net deferred tax liability after adjustment of deductable temporary differences (2013: Deferred tax asset of Rs. 148.42 million has not been recognized in the financial statement in view of uncertain future results).

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31.2 The relationship between tax expense and accounting loss

The relationship between tax expense and accounting loss has not been presented in these financial statements as the income from local sales is not subject to tax due to tax losses. income from export sales and related services is subject to final tax under section 153 , 154 and 169 of the Income Tax Ordinance, 2001 and rental income is separately subject to tax under normal tax regime

		2014	2013
32. (Loss) per share- Basic and diluted			
(Loss) for the year	Rupees	(399,288,530)	(494,067,182)
Weighted average number of ordinary shares outstanding during the year	Numbers	115,000,000	115,000,000
(Loss) per share- Basic and diluted	Rupees	(3.47)	(4.30)

32.1 There is no dilutive effect on the basic loss per share of the Company.

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2014			2013		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Remuneration	1 600 000	1,600 000	4 911 670	1 600 000	4 000 000	3 816 002
House rent allowance	480 000	480 000	1 473 501	480 000	1 200 000	1,144,800
Medical allowance	160 000	160 000	491 172	160 000	400 000	381 602
Utility allowance	160 000	160 000	491 172	160 000	400 000	381 602
	2 400 000	2 400 000	7 367 515	2 400 000	6 000 000	5 724 006
Number of persons	1	2	5	1	5	5

33.1 The Chief Executive Officer and Directors are entitled to free use of Company maintained vehicles. The monetary value is Rs. 2.514.919/- (2013: Rs. 4,059.140/-) The Directors have waived off their meeting fee

34. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertaking, directors and key management personnel. Amounts due to and due from related parties are shown under relevant notes to the financial statements. Remuneration to Chief Executive Officer, Directors and Executives is disclosed in Note 33. Other significant transactions with related parties are as under

		2014	2013
		Rupees	Rupees
Relationship	**Nature of transaction**		
Associated Undertakings	Services received	-	433,575

35. INSTALLED CAPACITY AND ACTUAL PRODUCTION

Textile Product	Unit	Rated capacity per annum		Actual production per annum	
		2014	2013	2014	2013
Fabrics	Mtrs	9 000 000	9 000 000	1 887 410	2 121 040
Made ups	Mtrs	59 000 000	59 000 000	545 210	581 773
Garments	Mtrs	3 500 000	3 500 000	1 125 200	1 210 281

Reasons for shortfall

- Closure due to load management by suppliers of gas and electricity
- Financial problems being faced by the Company
- It is difficult to describe precisely the production capacity of textile products being manufactured since it fluctuates widely depending upon various factors such as simple / multi-function articles, small and large size articles, special articles and the pattern of articles adopted

	2014	2013
36. NUMBER OF EMPLOYEES		
Total number of employees as at June 30,	2,212	2 488
Average number of employees for the year	2,250	2 440

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimize risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

	2014 Rupees	2013 Rupees
37.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets:		
Loans and receivables at amortised cost		
Trade debts	2,137,721,119	2,386,524,814
Loans and advances	1,301,026	1,391,421
Deposits	25,295,938	25,393,619
Other receivables	-	385,000
Cash and bank balances	38,100,566	16,723,312
	2,202,418,649	2,430,418,166
Financial liabilities:		
Financial liabilities at amortised cost		
Long term financing	4,832,854,465	4,812,974,465
Liabilities against assets subject to finance lease	34,153,759	35,461,888
Trade and other payables	1,474,693,579	1,681,317,664
Interest / markup payable	1,274,156,966	1,302,358,402
Short term bank borrowings	5,681,149,135	5,746,682,704
	13,297,007,904	13,578,795,123

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37.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Company are explained below

37.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company is exposed to concentration of credit risk towards the major customers M/S Alam B.V. Raaigars Holland, M/S C.G.I Limited UAE, M/S Hamad Herith Saudi Arabia and M/S Chenone Stores Limited. The trade debts receivable from these customers constitute 82.00% (2013: 84.10%) of the total receivables. The maximum exposure to credit risk at the reporting date is as follows

	2014 Rupees	2013 Rupees
Trade debts	2,137,721,119	2,386,524,814
Loans and advances	1,301,026	1,391,421
Deposits	25,295,938	25,393,619
Other receivables	-	385,000
Bank balances	29,584,858	16,192,947
	2,193,902,941	2,429,887,801

Due to the Company's long standing relations with counter parties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company.

For trade debts, credit quality of the customer is assessed, taking into consideration its financial position and previous dealings. Individual credit limits are set. The management regularly monitor and review customers credit exposure. The majority of customers of the Company are situated in Pakistan.

The Company's most significant customers are industrial users of yarn, foreign departmental stores and trading houses. The break-up of amounts due from customers is as follows.

	2014 Rupees	2013 Rupees
Alam B.V. Raaigars Holland	435,504,975	441,282,279
C.G.I. Limited U.A.E	829,256,287	818,220,247
Hamad Herith Saudi Arabia	340,060,301	340,060,299
Chenone Stores Limited	141,965,108	407,524,935
Other customers	390,934,448	379,437,054
	2,137,721,119	2,386,524,814
The aging of trade debts as at balance sheet date is as under.		
Not past due	208,937,398	163,190,996
Past due within one year	22,956,979	157,698,393
Past due over one year	1,905,826,742	2,065,635,425
	1,928,783,721	2,223,333,818
	2,137,721,119	2,386,524,814

The management is taking measures for the recovery of past due trade debts and is in the process of negotiations and settlement with the customers. Considering these factors and the fact that legal recourse for recovery of past due debts is available to the Company, the Company believes that past due trade debts do not require recognition of any impairment. The credit risk exposure is limited in respect of bank balances as bank balances are placed with local banks having good credit rating from international and local credit rating agencies.

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37.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is facing difficulty in maintaining sufficient level of liquidity due to operating and financial problems being faced by the Company. Following are the contractual maturities of financial liabilities including markup payments except markup on long term and short term borrowings as referred in Note 30.1 as at June 30, 2014 and 2013;

	2014					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees in '000'					
Financial liabilities:						
Long term financing	4,832,854	5,259,004	2,237,991	240,471	1,095,424	1,685,118
Liabilities against assets subject to finance lease	34,154	42,191	10,032	3,416	28,743	-
Trade and other payables	1,474,694	1,474,694	1,474,694	-	-	-
Short term bank borrowings	5,681,149	5,698,506	5,698,506	-	-	-
Interest / markup payable	1,900,514	1,900,514	1,274,157	-	184,190	442,167
	13,923,365	14,374,909	10,695,380	243,887	1,308,357	2,127,285

	2013					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees in '000'					
Financial liabilities:						
Long term financing	4,812,974	5,439,430	1,885,789	278,080	1,502,654	1,772,908
Liabilities against assets subject to finance lease	35,462	40,794	8,053	1,200	31,541	-
Trade and other payables	1,681,318	1,681,318	1,681,318	-	-	-
Short term bank borrowings	5,746,683	5,753,937	5,753,937	-	-	-
Interest / markup payable	1,800,059	1,800,059	1,302,358	-	96,509	401,192
	14,076,496	14,715,538	10,631,455	279,280	1,630,704	2,174,100

The contractual cash flows relating to mark up have been determined on the basis of weighted average mark up rates on borrowings excluding long term and short term bank borrowings on which no markup has been provided (Refer Note 30.1). The Company is exposed to the liquidity risk and is facing tight liquidity situation and could not meet its financial obligations as they fall due. Under the stressed conditions, in order to guard against the liquidity [illegible], the Company is in the process of settlement of liabilities and approval of structured finance limits against export documents.

37.2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

i) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Majority of interest rate risk arises from long term and short term borrowings from banks. The Company is not providing markup on long term and short term borrowings as referred in Note 30.1. The interest rate profile of the Company's other interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

Had interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, loss for the year and negative equity would have been higher / lower by Rs. 21.150 million (2013: Rs. 21.090 million). The impact of variation in interest rate has been considered only of borrowings in respect of which mark up has been provided in these financial statements.

ii) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is exposed to currency risk on foreign debtors and bills payable. The total foreign currency risk exposure on reporting date amounted to Rs. 2,038.695 million (2013: Rs. 1,834.721 million).

At June 30, 2014, if the currency had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, loss for the year and negative equity would have been lower / higher by Rs. 91.01 million (2013: Rs. 91.20 million).

iii) **Equity price risk**

Trading and investing in equity securities give rise to equity price risk. The Company is not exposed to equity price risk.

37.3 Fair values of financial instruments

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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37.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Debt is calculated as total external borrowings ('long term financing', ' liabilities against assets subject to finance lease' and 'short term borrowings' as shown in the balance sheet). Equity comprises of shareholders' equity as shown in the balance sheet under 'share capital and reserves' and subordinated long term finance from directors.

The Company is exposed to capital risk due to operational and financial problems being faced by the Company. The salient information relating to capital risk of the Company as of June 30, 2014 and 2013 were as follows:

	Note	2014 Rupees	2013 Rupees
Total debt	8, 9 & 13	10,217,304,273	10,298,465,971
Less: Cash and cash equivalents	24	38,100,566	16,723,312
Net debt		10,179,203,707	10,281,742,659
Total equity		(4,781,852,384)	(4,428,459,935)
Total capital		5,397,351,3[illegible]3	5,853,282,723
Gearing ratio		188.60%	175.66%

The gearing ratio has been deteriorated due to recurring operating losses.

37.5 Overdue loans and mark up

On the reporting date, the installments of long term financing amounting to Rs. 1,987.269 million (2013: Rs. 1,567.757 million) along with mark up of Rs. 543.211 million (2013: Rs. 543.211 million), lease finances amounting to Rs. 6.997 million (2013: Rs. 6.386 million) along with mark up of Rs. 1.549 million (2013: Rs. 1.349 million) and short term borrowings amounting to Rs.5,444.502 million (2013: Rs. 5470.867 million) along with mark up of Rs. 729.397 million (2013: Rs. 757.798 million) were over due.

On reporting date, the carrying amount of loans relevant to above overdues were long term financing Rs. 3,941.769 million (2013: Rs. 2,019.678 million), lease finances Rs. 34.153 million (2013: Rs.35.462 million) and short term borrowings Rs.5,444.502 million (2013: Rs. 5,470.867 million).

The Company's requests for restructuring of the overdue loans and markup and conversion into non serviceable loans for reasonable period of time are pending with the lenders (Refer Note 30.1).

38. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on 10 / 10 / 2014 by the Board of Directors of the Company.

39. DIVIDEND FOR CUMULATIVE PREFERENCE SHARES

The dividend for cumulative preference shares amounting to Rs. 307.330 million (2013: 284.279 million) will be accumulated and payable in the ensuing years when the sufficient amount of profit will be available for appropriation.

40. GENERAL

Figures have been rounded off to the nearest Rupee except where mentioned rounding off in Rupees in thousands.

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

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Form 34

Pattern of Holding of Ordinary Shares
Held by Shares Holders as at June 30, 2014

Share Holders	From	To	Total Shares
95	1	100	4,169
496	101	500	234,732
290	501	1,000	285,672
492	1,001	5,000	1,528,576
168	5,001	10,000	1,420,774
55	10,001	15,000	735,238
42	15,001	20,000	776,500
25	20,001	25,000	590,498
26	25,001	30,000	748,007
13	30,001	35,000	431,500
13	35,001	40,000	503,694
7	40,001	45,000	303,285
12	45,001	50,000	589,227
4	50,001	55,000	215,000
4	60,001	65,000	248,000
4	65,001	70,000	278,500
1	70,001	75,000	74,000
3	75,001	80,000	237,000
3	85,001	90,000	264,500
9	95,001	100,000	895,000
2	100,001	105,000	205,059
1	110,001	115,000	110,000
1	115,001	125,000	125,000
6	145,001	160,000	911,500
2	195,001	200,000	400,000
1	200,001	215,000	214,500
2	255,001	290,000	547,000
3	300,001	310,000	917,136
2	325,001	400,000	691,500
1	480,001	500,000	482,000
1	625,001	630,000	630,000
1	745,001	750,000	750,000
1	875,001	880,000	879,500
1	915,001	950,000	925,000
1	1,200,001	1,300,000	1,213,000
1	1,650,001	1,700,000	1,661,500
1	1,900,001	2,000,000	2,000,000
1	2,000,001	2,100,000	2,058,000
1	2,100,001	2,400,000	2,113,483
1	2,500,001	3,000,000	2,813,545
1	3,500,001	3,550,000	3,502,834
1	3,605,001	3,650,000	3,608,218
1	4,100,001	4,150,000	4,103,556
1	6,000,001	6,200,000	6,138,587
1	7,000,001	7,500,000	7,459,184
1	8,000,001	8,500,000	8,416,948
1	14,500,001	15,000,000	14,876,483
1	16,500,001	17,000,000	16,681,483
1	20,000,001	20,500,000	20,201,112
1802			**115,000,000**

Note: The Slabs not applicable, have not been shown.

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Categories of Shareholders

Categories of Shareholders		Number	Share held	Percentage
Directors, Chief Executive and their spouse, children				
Mian Muhammad Latif	Chief Executive Officer	1	16,681,483	14.51
Mian Muhammad Javaid Iqbal	Director	1	14,876,483	12.94
Mr Muhammad Naeem	Director	1	20,201,112	17.57
Mr.Muhammad Faisal Latif	Director	1	2,813,545	2.45
Mr.Muhammad Farhan Latif	Director	1	8,416,948	7.32
Mr.Muhammad Zeeshan Latif	Director	1	6,138,587	5.34
Mst.Shahnaz Latif	Director	1	7,459,184	6.49
Mst Tehmina Yasmin	Spouse	1	44,285	0.04
Mst.Prveen Akthar	Spouse	1	1,838	0.00
Mr Umair Javaid	Son	1	8,019	0.01
Financial Institutions,Insurance Companies,Investment Companies, Joint Stock Companies ,Leasing Companies,Mutual Fund & etc.				
Insurance Companies		1	22,998	0.02
Investment Companies		1	25,000	0.02
Joint Stock Companies		15	906,684	0.79
Others		2	6,161,556	5.36
Individuals		1773	31,242,278	27.17
		1802	**115,000,000**	**100.00**

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Form 34

Pattern of Holding of Preference Shares
Held by Shares Holders as at June 30,2014

ShareHolders	From	To	Total Shares
38	1	100	1,125
590	101	500	292,717
91	501	1,000	89,687
288	1,001	5,000	936,820
151	5,001	10,000	1,294,651
50	10,001	15,000	662,500
51	15,001	20,000	970,500
51	20,001	25,000	1,237,500
27	25,001	30,000	773,000
16	30,001	35,000	537,000
14	35,001	40,000	535,000
6	40,001	45,000	254,500
28	45,001	50,000	1,393,000
6	50,001	55,000	321,500
7	55,001	60,000	412,000
8	60,001	65,000	502,500
3	65,001	70,000	210,500
7	70,001	80,000	538,000
7	80,001	90,000	592,500
12	90,001	100,000	1,174,000
19	100,001	150,000	2,420,000
9	150,001	200,000	1,632,500
5	200,001	250,000	1,108,500
6	250,001	300,000	1,774,500
8	300,001	400,000	2,817,500
3	400,001	600,000	1,388,000
3	600,001	800,000	2,036,500
4	800,001	1,000,000	3,601,500
1	1,000,001	1,100,000	1,100,000
2	1,200,001	1,300,000	2,550,000
1	1,950,001	2,000,000	1,985,000
1	2,495,001	2,500,000	2,500,000
3	9,995,001	10,000,000	30,000,000
1	12,355,001	12,360,000	12,357,000
1517			**80,000,000**

Note: The Slabs not applicable, have not been shown.

Sharesholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Son of Director	2	979,000	1.22
Financial Institutions	7	47,654,000	59.57
Joint Stock Companies	7	352,138	0.44
Individuals	1501	31,014,862	38.77
	1517	**80,000,000**	**100.00**

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Form of Proxy

I/We ______________________ of ____________________ being a Member of Chenab Limited (the "Company") holding ____________ shares, hereby appoint ______________ of ______________, who is also a Member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the 30th Annual General Meeting of the Company to be held on October 31, 2014 and at any adjournment thereof.

Signed this ______________ day of ______________ 2014

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Revenue Stamp Rs.5/-

WITNESSES:

1. Signature ______________

   Name ______________

   CNIC ______________

   Address ______________

2. Signature ______________

   Name ______________

   CNIC ______________

   Address ______________

____
The Signature should agree with the specimen signature registered with the Company.

Note:

1. This Proxy, duly completed, signed and witnessed, must be received at the registered office of the Company, Nishatabad, Faisalabad no later than forty-eight (48) hours before the time appointed for the Meeting.

2. No person shall act as proxy who is not a member of the Company (except that a corporation may appoint a person who is not a member).

3. 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.

4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.

5. In case of Individual CDC Account holders, attested copy of NIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.

6. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the nominee shall be submitted alongwith this Proxy (unless it has been provided earlier).

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