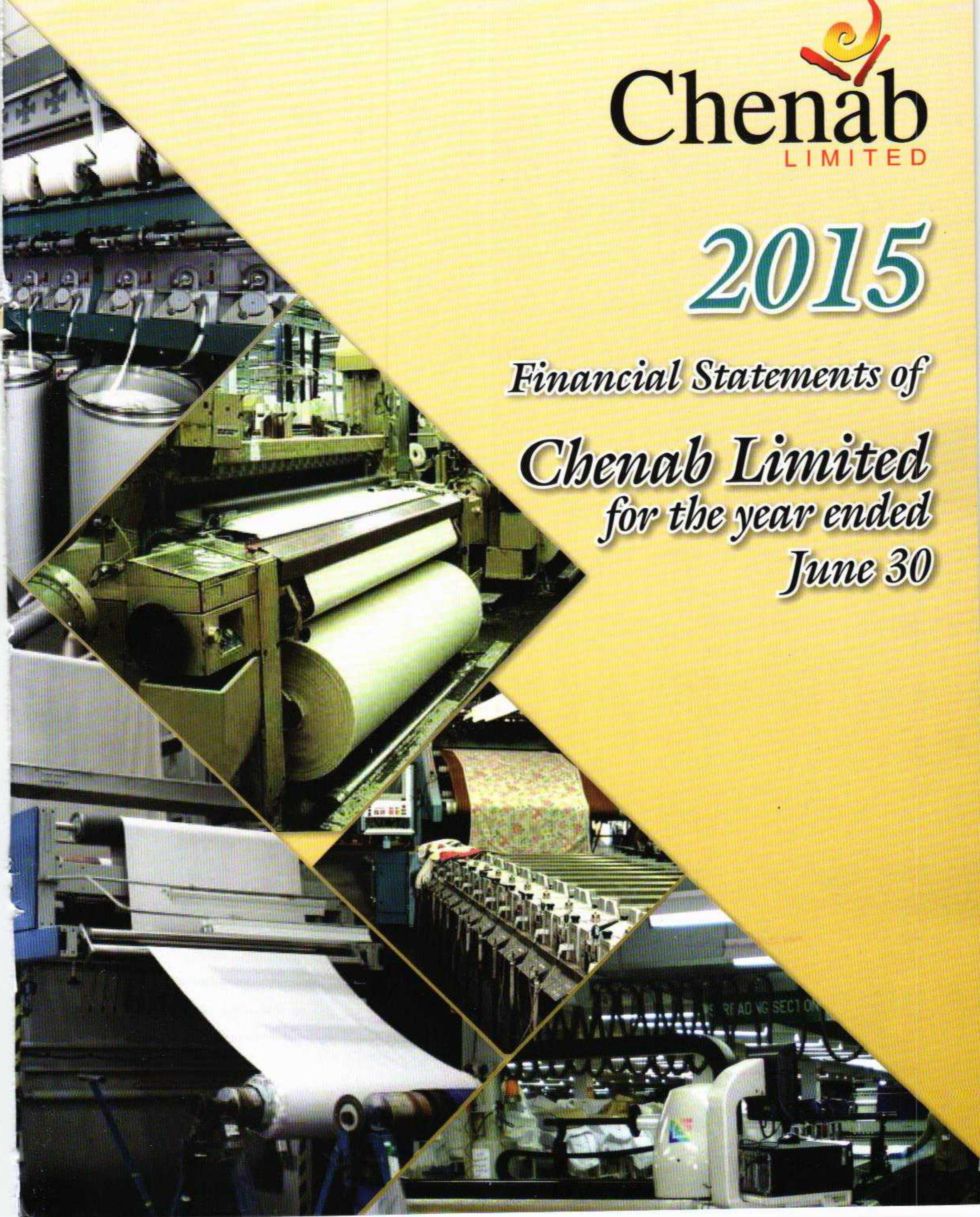
Chenab
LIMITED

2015

Financial Statements of

Chenab Limited
for the year ended
June 30



Contents

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. 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 Limited Pak Kuwait Investment Company (pvt)Limited Pak Libya Holding Company (pvt)Limited Saudi Pak Industrial & Agriculturan Invetment Company (pvt)Limited Silk Bank Limited Standard Chartered Bank (Pakistan) Limited. The Bank of Punjab. United Bank 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 Chartered Accountants
Legal Advisor	Ch. Shahid Mehmood (Advocate)
Shares Registrar	Consulting One (Pvt.) Limited. 478-D, Peoples Colony No.1, Faisalabad. Tel: 041-8541965
Registered Office	Nishatabad, Faisalabad. Tel: +92 41 8754472-8 Fex: +92 41 8752700, 8752400
E-mail.	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.

Vision

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

Mission Satement

- 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 State of are 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 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 society being a patriotic and conscientious corporate citizens

Financial Highlights

	2015	2014	2013	2012	2011	2010
Operational performance						(Rupees'000)
Sales-net	2,213,846	2,265,551	2,171,725	2,606,632	4,374,335	8,857,796
Cost of sales	2,575,659	2,515,062	2,546,224	3,943,890	5,541,365	9,047,217
Gross Loss	(361,813)	(249,511)	(374,499)	(1,337,258)	(1,167,030)	(189,421)
Operation Loss	(206,345)	(129,634)	(226,525)	(1,316,787)	(1,167,403)	(487,105)
Loss before taxtion	(466,824)	(389,041)	(488,509)	(1,672,947)	(2,857,923)	(1,931,558)
Loss after taxtion	(479,385)	(399,289)	(493,799)	(1,690,468)	(2,887,751)	(2,019,900)
Financial position						
Property,Plant and equipment	11,052,466	11,046,052	11,253,800	11,462,209	11,659,237	11,855,461
Capital work in progress	-	-	-	-	-	-
Long term deposits	12,637	12,637	12,637	8,805	8,851	19,736
Fixed capital expenditure	11,065,103	11,058,689	11,266,437	11,471,014	11,668,088	11,875,197
Total assets	13,798,837	14,487,041	15,045,669	15,495,014	17,204,093	19,397,627
Current asset						
Store,spare parts and stocks in trade	870,072	1,086,824	1,185,960	1,370,828	2,355,099	3,734,566
Other current assets	1,836,361	2,303,428	2,576,549	2,623,465	3,161,152	3,770,444
Cash and cash equivalents	27,301	38,100	16,723	29,707	19,754	17,420
Total	2,733,734	3,428,352	3,779,232	4,024,000	5,536,005	7,522,430
Current liabilities						
Short term bank borrowing	5,785,580	5,681,149	5,746,683	5,570,582	7,266,478	7,436,954
Currant portion of long term loans/morabaha	2,675,537	2,416,944	2,054,106	1,716,298	1,388,646	870,414
Other current liabilities	2,385,471	2972167	3155952	3,309,028	3,621,008	2,831,172
Total	10,846,588	11,070,260	10,956,741	10,595,908	12,276,132	11,138,540
Net working capital	(8,112,854)	(7,641,908)	(7,177,509)	(6,571,908)	(6,740,127)	(3,616,110)
Long term loans/Finance lease, morabaha	2,086,486	2,378,188	2,786,025	3,196,416	19,000,281	2,322,499
Shareholder's equity	(5,244,931)	(4,781,852)	(4,428,460)	(3,965,244)	(2,295,908)	564,947
Profiability analysis						
Gross profit to sale (%)	(16.34)	(11.01)	(17.24)	(51.30)	(26.68)	(2.14)
Loss/Profit befor tax to sales (%)	(21.09)	(17.17)	(22.49)	(64.18)	(65.33)	(21.81)
Loss/Profit after tax to sales (%)	(21.65)	(17.62)	(22.74)	(64.85)	(66.02)	(22.80)
Return on Investment (%)	(3.47)	(2.76)	(3.28)	(10.91)	(16.79)	(10.41)
Return on equity (%)	9.14	8.35	11.15	42.63	125.78	(357.54)
Earnings per share(Rupees)	(0.83)	(0.83)	(0.83)	(0.83)	(0.83)	(0.83)
Financial analysis						
Current ratio(time)	0.25	0.31	0.34	0.38	0.45	0.68
Debt to equity (time)	(0.91)	(1.00)	(1.09)	(1.24)	(1.43)	5.65
Total Debt to Total Assets	0.35	0.33	0.32	0.32	0.19	0.16
Total Debt to Fixed Assets	0.43	0.43	0.43	0.43	0.28	0.27

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 31ST Annual General Meeting of the shareholders of the Company will be held at 11.00 A.M. on Friday the 30th October, 2015 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, 2015 together with Directors and Auditors Reports thereon.
3. To appoint Auditors for the next financial year 2015-2016 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 09, 2015

NOTES:

1. The Share Transfer Books of Ordinary Shares of the Company will remain closed from October 23, 2015 to October 30, 2015 (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 22, 2015 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.

DIRECTORS' REPORT TO THE MEMBERS

The directors take the opportunity to present before you report and audited accounts of the company for the year ended June 30, 2015.

SALES REVENUE

Sales revenue of Rs.2.213 billion has been earned during the year as compared to Rs.2.265 billion achieved during the preceding year which is almost equal despite unfavorable circumstances.

FINANCIAL RESULTS AND REASONS FOR LOSS

Due to perennial 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.

In view of adverse situation, the company has sustained financial loss of Rs.479 million as compared with previous year loss of Rs.399 million.

However, the financial results for the year ended June 30, 2015 with comparative figures are as follows:-

	2015 (Rupees)	2014 (Rupees)
Sales	2,213,846,121	2,265,551,424
Cost of sales	(2,575,659,197)	(2,515,062,152)
Gross (loss)	(361,813,076)	(249,510,728)
Other income	155,468,545	119,877,134
	(206,344,531)	(129,633,594)
Selling and distribution expenses	(28,327,122)	(18,985,679)
Administrative expenses	(133,831,841)	(129,347,736)
Finance cost	(98,320,988)	(111,074,160)
	(260,479,951)	(259,407,575)
(Loss) before taxation	(466,824,482)	(389,041,169)
Provision for taxation	(12,560,769)	(10,247,361)
(Loss) for the year	(479,385,251)	(399,288,530)
(Loss) per share – Basic and diluted	(4.17)	(3.47)

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.

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. Accordingly, 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 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 gas which is main source of energy for processing unit coupled with help from financial institutions in providing additional working capital and restructuring financial facilities on no mark up or 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 Pakistan has already constituted a committee to review non performing loans in the value added textile industry.

AUDITORS' OBSERVATIONS

ON GOING CONCERN ASSESSMENT

(1) (a) Since the company on account of 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.

(b) The management has been able to reach at agreement with three major lenders to restructure the loans. Certain short term facilities were converted to long term loans and fresh export base financial facilities were obtained. The management is hopeful that arrangement with other lenders will also materialize in due course. Amicable out of court settlement of the cases with one creditor is also underway.

(c) No further provision of mark up in respect of long/short term financial limits under litigation has been made as the mark up expense amount depends on outcome of the case. Mark up provision is being made against the fresh granted and rescheduled loans.

(2) 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 which was heard by Commissioner CLD on September 02, 2015, the decision of which is still awaited. The matter for issue of ordinary shares against second default shall be taken in hand after the resolution of dispute of first default.

(3) The management is vigorously pursuing the recovery of past due trade debts and has also adopted the available recourse. The management is fully confident to recover these debts in full.

(4) 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. 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.

(5) The management is in regular contact with foreign customers and making small shipments. The quantum of exports could not be increased despite export orders due to shortage of working capital and delay in settlements with banks. In order to improve liquidity position of the company, the management is negotiating with banks for working capital facilities and arranging advance payments from local as well as export customers.

(6) The management of the company is also exploring the possibility of disposal of certain non core fixed assets to meet the working capital requirements.

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 fully 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.

PATTERN OF SHARHEOLDING

The pattern of shareholding as at June 30, 2015 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	4
2	Mian Muhammad Javaid Iqbal	4
3	Mr. Muhammad Naeem	4
4	Mr. Muhammad Faisal Latif	4
5	Mr. Muhammad Farhan Latif	4
6	Mr. Muhammad Zeeshan Latif	4
7	Mst. Shahnaz Latif	4

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, 2015 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 2015-2016.

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

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE

FAISALABAD
October 09, 2015

RSM Avais Hyder Liaquat Nauman
Chartered Accountants
478-D, Peoples Colony No1
Faisalabad-Pakistan
T:+92 (41) 854 1165, 854 1965 F:+92(41) 854 2765
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, 2015 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, 2015.

We have also expressed an adverse opinion in our audit report to the financial statements for the year ended June 30, 2015.

Dated: October 09, 2015
Place: Faisalabad

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Other Offices at:

Lahore	: 92(42) 3587 2731/2/3
Karachi	: 92 (21) 3565 5975/6
Islamabad	: 92 (51) 211 4096/07/8
Peshawar	: 92 (91) 527 7205 /527 8310
Quetta	: 92 (81) 282 9809
Kabul	: 93 (799) 058155

Statement of compliance with the Code of Corporate Governance
For the year ended June 30, 2015

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.

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 Directors

(Mian Muhammad Latif)
Chief Executive Officer

RSM
Audit.Tax.Advisory

RSM Avais Hyder Liaquat Nauman
Chartered Accountants
478-D, Peoples Colony No1
Faisalabad-Pakistan
T:+92 (41) 854 1165, 854 1965 F:+92(41) 854 2765
E: faisalabad@ahln.com.pk W: www.ahln.com.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Chenab Limited (the Company) as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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. 479.39 million for the year ended June 30, 2015. As at June 30, 2015 its accumulated loss is Rs. 7,797.77 million, shareholders' equity is negative by Rs. 5,244.93 million and the Company's current liabilities exceed its current assets by Rs. 8,112.85 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. 96.91 million (2014: by Rs. 256.53 million) and negative equity and interest / markup payable would have been increased by Rs. 1677.84 million (2014: by Rs. 1,580.93 million).

(c) Trade debts of Rs. 1,532.30 million (2014: Rs. 1,928.78 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;

Other Offices at:
Lahore : 92(42) 3587 2731/2/3
Karachi : 92 (21) 3565 5975/6
Islamabad : 92 (51) 211 4096/07/8
Peshawar : 92 (91) 527 7205 /527 8310
Quetta : 92 (81) 282 9809
Kabul : 93 (799) 058155

RSM
Audit.Tax.Advisory

(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;

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, 2015 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.

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

Dated:October 09, 2015.
Place: Faisalabad

Balance Sheet
as at June 30, 2015

	Note	2015 Rupees	2014 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
80,000,000 cumulative preference shares of Rs.10/- each		800,000,000	800,000,000
Issued, subscribed and paid up capital	3	1,150,000,000	1,150,000,000
Cumulative preference shares	4	800,000,000	800,000,000
Capital reserves	5	526,409,752	526,409,752
Revenue reserves	6	(7,721,340,970)	(7,258,262,136)
		(5,244,931,218)	(4,781,852,384)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	5,170,726,642	5,000,307,165
NON-CURRENT LIABILITIES			
Long term financing	8	2,067,490,862	2,354,392,019
Liabilities against assets subject to finance lease	9	18,996,233	23,796,233
Deferred liabilities	10	939,967,341	820,137,783
		3,026,454,436	3,198,326,035
CURRENT LIABILITIES			
Trade and other payables	11	1,095,868,888	1,617,948,321
Interest / markup payable	12	1,277,318,287	1,274,156,966
Short term bank borrowings	13	5,785,580,429	5,681,149,135
Current portion of :			
Long term financing	8	2,662,160,128	2,478,462,446
Liabilities against assets subject to finance lease	9	13,377,907	10,357,526
Provision for taxation - income tax		12,282,385	8,185,918
		10,846,588,024	11,070,260,312
CONTINGENCIES	14	-	-
		13,798,837,884	14,487,041,128

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

MUHAMMAD NAEEM
(DIRECTOR)

	Note	2015 Rupees	2014 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	11,052,466,480	11,046,052,265
Operating assets	16	12,636,768	12,636,768
Long term deposits		11,065,103,248	11,058,689,033
CURRENT ASSETS			
Stores, spares and loose tools	17	424,702,996	470,895,120
Stock in trade	18	445,370,174	615,928,703
Trade debts	19	1,713,536,773	2,137,721,119
Loans and advances	20	51,860,178	69,259,931
Deposits and prepayments	21	12,665,135	12,659,170
Other receivables	22	24,730,221	34,781,389
Tax refunds due from Government	23	33,568,219	49,006,097
Cash and bank balances	24	27,300,940	38,100,566
		2,733,734,636	3,428,352,095
		13,798,837,884	14,487,041,128

M. Latif

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Profit & Loss Account
for the year ened June 30, 2015

	Note	2015 Rupees	2014 Rupees
Sales	25	2,213,846,121	2,265,551,424
Cost of sales	26	(2,575,659,197)	(2,515,062,152)
Gross (loss)		(361,813,076)	(249,510,728)
Other income	27	155,468,545	119,877,134
		(206,344,531)	(129,633,594)
Selling and distribution expenses	28	(28,327,122)	(18,985,679)
Administrative expenses	29	(133,831,841)	(129,347,736)
Finance cost	30	(98,320,988)	(111,074,160)
		(260,479,951)	(259,407,575)
(Loss) before taxation		(466,824,482)	(389,041,169)
Provision for taxation	31	(12,560,769)	(10,247,361)
(Loss) for the year		(479,385,251)	(399,288,530)
(Loss) per share- Basic and diluted	32	(4.17)	(3.47)

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Statement of Comprehensive Income
for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
(Loss) for the year		(479,385,251)	(399,288,530)
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 - net of deferred tax	7	22,544,421	29,230,498
Related deferred tax		5,395,003	-
Remeasurement of defined benefit liability		(14,416,849)	(4,244,209)
Related deferred tax		2,783,842	-
		16,306,417	24,986,289
Total comprehensive (loss) for the year		(463,078,834)	(374,302,241)

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Cash Flow Statement

for the year ened June 30, 2015

	2015 Rupees	2014 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(466,824,482)	(389,041,169)
Adjustments for:		
Depreciation on operating assets	209,200,550	212,865,899
Provision for staff retirement gratuity	35,457,895	29,201,647
(Gain) on disposal of operating assets	(290,829)	(1,457,023)
Finance cost	98,320,988	111,074,160
Balances written off / (back) - net	(144,045,084)	(109,337,840)
Operating cash flows before working capital changes	(268,180,962)	(146,694,326)
Changes in working capital		
Decrease / (increase) in current assets		
Stores, spares and loose tools	46,192,124	88,859,101
Stock in trade	170,558,529	10,277,178
Trade debts	424,184,346	248,803,695
Loans and advances	23,411,655	(16,633,140)
Deposits and prepayments	(5,965)	97,681
Other receivables	10,051,168	8,465,477
Tax refunds due from Government	13,057,166	38,376,812
	687,449,023	378,246,804
(Decrease) in current liabilities		
Trade and other payables	(384,887,404)	(131,669,071)
	302,561,619	246,577,733
Cash generated from operations	34,380,657	99,883,407
Income tax paid	(17,295,732)	(11,283,830)
Finance cost paid	(35,349,507)	(10,619,702)
Staff retirement gratuity paid	(6,079,162)	(5,980,256)
Net cash (used in) / generated from operating activities	(24,343,744)	71,999,619
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in operating assets	(6,301,219)	(5,305,667)
Proceeds from disposal of operating assets	493,662	1,645,000
Net cash (used in) investing activities	(5,807,557)	(3,660,667)

	2015 Rupees	2014 Rupees
c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	5,700,000	34,200,000
Repayment of :		
Long term financing	(89,000,000)	(264,320,000)
Liabilities against assets subject to finance lease	(1,779,619)	(1,308,129)
Increase in short term bank borrowings - net	104,431,294	184,466,431
Net cash generated from / (used in) financing activities	19,351,675	(46,961,698)
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(10,799,626)	21,377,254
Cash and cash equivalents at the beginning of the year	38,100,566	16,723,312
Cash and cash equivalents at the end of the year	27,300,940	38,100,566

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Statement of Changes in Equity

for the year ened June 30, 2015

	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, 2013	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)
Total comprehensive (loss) for the year										
(Loss) for the year	-	-	-	-	-	-	-	(479,385,251)	(479,385,251)	(479,385,251)
Other comprehensive income										
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the year	-	-	-	-	-	-	-	22,544,421	22,544,421	22,544,421
Related deferred tax								5,395,003	5,395,003	5,395,003
Remeasurement of defined benefit liability								(14,416,849)	(14,416,849)	(14,416,849)
Related deferred tax	-	-	-	-	-	-	-	2,783,842	2,783,842	2,783,842
	-	-	-	-	-	-	-	(463,078,834)	(463,078,834)	(463,078,834)
Balance as at June 30, 2015	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(7,797,773,804)	(7,721,340,970)	(5,244,931,218)

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Notes to the Financial Statements
for the year ened June 30, 2015

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. 479.39 million. As at June 30, 2015 the accumulated loss of the Company is Rs. 7,797.77 million and the current liabilities exceed its current assets by Rs. 8,112.85 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 three major lenders to restructure the loans. Certain short term facilities were converted to long term loans and fresh export base financial facilities were obtained. The management is hopeful that arrangements with other lenders will also materialise in due course. Furthermore, amicable out of court settlement of the cases with one creditor is also under way. The management is vigorously pursuing the recovery of old outstanding debts and has also adopted the available legal recourse. The management is 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. Additionally, in order to improve liquidity position of the company, the management is also focusing on arranging advance payments from local as well as export customers. In view of prolonged energy crisis management is using alternate source of energy. The use of 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 favorable 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, 2014 and therefore, have been applied in preparing these financial statements :

- **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

  The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

  For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

  The management of the Company do not anticipate that the application of these amendments will have a significant impact on the company's financial statements.

  Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

  The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities.

  The application of the amendments is not expected to have any material impact on the Company's financial statements.

- **Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets**

  The amendments remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal.

  The application of these amendments has no material impact on the disclosures in the company's financial statements.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the company's financial statements.

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, 2014 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 periods

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): IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition:

  All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

  With regard to the measurement of financial liabilities designated as at fair value through profit or loss, standard requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

  In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

  The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

  The standard is effective for accounting period beginning on or after January 01, 2018. The management of the company is reviewing the changes to evaluate the impact of application of standard on the financial statements.

- **IFRIC 21 *Levies***

IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for.

The application do not expected to have material impact on the Company's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the company's financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

IFRS 13 Fair Value Measurement

The standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard and requires certain additional disclosures about fair value measurement. The standard is effective for annual reporting periods beginning on or after January 01, 2015. The standard is not expected to have any significant impact on the company's 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.

These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016, The management of the company is reviewing the impact on the disclosure requirements of 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.

Annual improvements 2014

These set of amendments impacts 3 standards:

IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.

IAS 19, 'Employee benefits' regarding discount rates.

The application of the amendments is not expected to have any material impact on the Company's financial statements.

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.

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.

3. Issued, subscribed and paid up capital

2015	2014		2015	2014
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

2015	2014		2015	2014
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.

5. Capital reserves	Note	2015 Rupees	2014 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	2015 Rupees	2014 Rupees
General reserve		76,432,834	76,432,834
(Accumulated loss)			
Opening balance		(7,334,694,970)	(6,960,392,729)
Total comprehensive loss for the year		(463,078,834)	(374,302,241)
		(7,797,773,804)	(7,334,694,970)
		(7,721,340,970)	(7,258,262,136)

7. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	Note	2015 Rupees	2014 Rupees
Opening balance		5,000,307,165	5,122,524,353
Surplus arisen on revaluation carried out during the year		209,516,379	-
Incremental depreciation on revalued assets for the year		(22,544,421)	(29,230,498)
Deferred tax provided on surplus	10.2	(16,552,481)	(92,986,690)
		5,170,726,642	5,000,307,165

7.1 Freehold land, building on freehold land, plant and machinery, electric installations and generators are carried at valuation. Latest valuation on the basis of market values, has been carried out by independent valuers "Protectors" on June 30, 2015.

8. Long term financing	Note	2015 Rupees	2014 Rupees
Secured			
Under mark up arrangements			
From banking companies			
Fixed assets finance	8.1	239,227,233	239,227,233
Demand finances	8.1	1,330,500,000	1,405,500,000
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	236,000,000	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	74,000,000
		4,413,001,379	4,502,001,379
Less : Current portion			
Installments due		2,388,803,884	1,987,269,510
Payable within one year		273,356,244	491,192,936
		2,662,160,128	2,478,462,446
		1,750,841,251	2,023,538,933
Unsecured from			
Directors	8.5	264,813,086	264,813,086
Associates	8.6	51,836,525	66,040,000
		2,067,490,862	2,354,392,019

8.1 The terms of repayment of finances are as under;

Nature of loans	Balance Rupees	Number of installments	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	1,119,500,000	**(Refer Note 8.1.1)**				
	1,330,500,000					
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	45,183,761	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 6% 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 6% 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
VI	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 passu 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 ranges from 5% to 9% per annum.

8.1.1 The loan is repayable as under ;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
29	20,000,000	580,000,000	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	
42		1,119,500,000		

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, 2012, 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 was converted into long term diminishing Musharakah in last year. It is repayable in quarterly installments as follows ;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
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		236,000,000		

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. 54.487 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 These are interest free. Directors' loan of Rs. 196.617 million (2014: 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. Terms of repayment of these loans have not been decided so far.

8.6 These are interest free. These loans are recognised at amortised cost. Loans amounting to Rs. 31.99 million are repayable in lump sum after five years and loans amounting Rs. 34.20 are repayable in lump sum on June 30, 2017. Using prevailing market interest rate for an equivalent loan of 10.12% for loans payable after five years and 9.25% for loans payable on June 30, 2017, the fair value of these loans is estimated at Rs. 51.84 million. The difference of Rs. 19.90 million between the gross proceeds and the fair value of these loans is the benefit derived from the interest free loans and is recognised as deferred revenue (Refer Note 10).

	Note	2015 Rupees	2014 Rupees
9. Liabilities against assets subject to finance lease			
Opening balance			
Principal		34,153,759	35,461,888
Grace period mark up		-	12,748,173
		34,153,759	48,210,061
Paid / transferred during the year	9.2	(1,779,619)	(14,056,302)
		32,374,140	34,153,759
Shown under current liabilities			
Installments due		(8,577,907)	(6,997,526)
Payable within one year		(4,800,000)	(3,360,000)
		(13,377,907)	(10,357,526)
		18,996,233	23,796,233

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 Terms of lease finance have been revised during the year. The principal plus financial charges are payable over the lease period in monthly and half yearly installments. Certain portion of mark up under one lease agreement is deferred till June 2016 and is payable in 41 monthly instalments. The liability represents the total minimum lease payments discounted at 12.17% to 16.33% per annum (2014 : 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,	2015 Rupees	2014 Rupees
2015	-	11,864,774
2016	15,707,766	6,000,000
2017	11,376,362	11,347,174
2018	10,004,275	9,994,278
	37,088,403	39,206,226
Financial charges		
Payable	(2,329,860)	(1,549,161)
Allocated to future periods	(2,384,403)	(3,503,306)
	(4,714,263)	(5,052,467)
	32,374,140	34,153,759

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

	2015		2014	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	Rupees			
Due within one year	15,707,766	13,377,906	11,864,774	10,357,526
Due after one year but not later than five years	21,380,637	18,996,234	27,341,452	23,796,233
	37,088,403	32,374,140	39,206,226	34,153,759

10. Deferred liabilities

	Note	2015 Rupees	2014 Rupees
Staff retirement gratuity	10.1	132,536,533	100,794,246
Deferred taxation	10.2	101,360,326	92,986,690
Deferred mark up on:			
Demand finance VII	8.1.1	445,129,677	387,679,335
Term finance X	8.1.2	168,535,129	168,535,129
Diminishing musharakah	8.2	54,487,842	54,487,842
Liabilities against assets subject to finance lease	9.2	18,014,359	15,654,541
Deferred revenue	8.6	19,903,475	-
		706,070,482	626,356,847
		939,967,341	820,137,783

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, 2015.

	Note	2015 Rupees	2014 Rupees
10.1.2 Balance sheet reconciliation as at June 30,			
Present value of defined benefit obligation		132,536,533	100,794,246
10.1.3 Movement in net liability recognized			
Opening balance		100,794,246	90,228,566
Charge for the year	10.1.4	35,457,895	29,201,647
Paid / adjusted during the year		(6,079,162)	(5,980,256)
Benefits payable		(12,053,295)	(16,899,921)
Remeasurement of obligation		14,416,849	4,244,209
Balance at June 30,		132,536,533	100,794,246
10.1.4 Charge for the year			
Service cost		23,303,933	20,140,972
Interest cost		12,153,962	9,060,675
		35,457,895	29,201,647
10.1.5 Principal actuarial assumptions			
Discount factor used		9.75% Per annum	13.25% Per annum
Expected rate of increase in salaries		9.75% Per annum	12.25% 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:

	Change in assumptions	Reworked defined benefit obligation Increase in assumptions	Decrease in assumptions
Discount rate	100 bps	124,427,900	141,763,379
Salary increase rate	100 bps	142,315,222	123,793,370

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	2015 Rupees	2014 Rupees
10.2 Deferred taxation			
Opening balance		92,986,690	-
Provided during the year on surplus		16,552,481	92,986,690
Deferred tax related to incremental depreciation transferred to unappropriated profit		(5,395,003)	-
Deferred tax related to remeasurement of staff retirement gratuity		(2,783,842)	-
	10.2.1	101,360,326	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		1,116,546,282	1,093,401,404
Deferred tax assets :			
Unadjusted tax losses		(979,499,004)	(969,399,236)
Staff retirement gratuity		(25,592,331)	(20,757,828)
Lease liability		(10,094,621)	(10,257,650)
		101,360,326	92,986,690
11. Trade and other payables			
Creditors	11.1	908,530,455	1,389,123,686
Accrued liabilities		87,356,998	82,172,873
Advance from customers		96,628,977	143,254,742
Unclaimed dividend		366,071	366,071
Other		2,986,387	3,030,949
		1,095,868,888	1,617,948,321

11.1 It includes Nil (2014: Rs. 418,762/-) payable to an associated undertaking.

	Note	2015 Rupees	2014 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		1,813,184	1,549,161
Short term bank borrowings		732,294,334	729,397,036
		1,277,318,287	1,274,156,966
13. Short term bank borrowings			
Secured			
Under mark up arrangements			
Export finances	13.2	5,049,749,812	4,936,910,225
Finance against trust receipts	13.2	18,304,000	18,304,000
Running finance	13.2	546,298,777	547,977,473
Murabaha finances	13.3	171,227,840	177,957,437
		5,785,580,429	5,681,149,135

13.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs.224.248 million (2014: Rs. 128.20 million). Total sanctioned limits are Rs. 6.41 billion (2014: Rs. 6.23 billion) out of which limits of Rs. 5.58 billion (2014: 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 pasu 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 (2014: 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 and three months KIBOR plus 0.5% per annum. Mark up charged on these loans during the year ranges from 7.28% to 10.99% per annum (2014: 10.59% to 10.97% per annum).

13.3 These are secured against first charge over fixed assets of the Company ranking pari pasu 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 7.93% to 11.22% per annum (2014: 10.92% to 11.19% per annum).

	2015 Rupees	2014 Rupees
14. CONTINGENCIES		
Contingencies		
In respect of bank guarantees issued on behalf of the Company		
Sui Northern Gas Pipelines Limited for supply of gas	43,669,400	51,269,400
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	233,247	233,247
Demands of Employees' Old Age Benefits Institution and Punjab Employees' Social Security Institution are not acknowledged in view of pending litigations	53,329,599	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.	1,677,835,786	1,580,926,041
Liability of Gas Infrastructure development cess not acknowledged in view of pending petitions	15,274,352	-
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											Under lease				
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Generators	Factory equipment	Furniture and fixture	Office equipment	Vehicles	Sign boards	Sub total	Building	Plant and machinery	Generators	Sub total	Total
	Rupees															
At July 01, 2013																
Cost / revaluation	2,188,053,750	2,056,718,631	6,719,410,695	313,061,502	442,400,000	76,304,685	39,066,209	83,097,199	36,718,344	525,248	11,955,356,263	7,405,200	211,268,114	65,966,667	284,639,981	12,239,996,244
Accumulated depreciation	-	(273,332,568)	(370,916,641)	(42,380,858)	(59,891,489)	(49,233,626)	(21,557,129)	(54,047,778)	(31,195,790)	(452,911)	(903,008,790)	(1,701,581)	(54,955,835)	(26,529,565)	(83,186,981)	(986,195,771)
Net book value	2,188,053,750	1,783,386,063	6,348,494,054	270,680,644	382,508,511	27,071,059	17,509,080	29,049,421	5,522,554	72,337	11,052,347,473	5,703,619	156,312,279	39,437,102	201,453,000	11,253,800,473
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	27,071,059	17,509,080	29,049,421	5,522,554	72,337	11,052,347,473	5,703,619	156,312,279	39,437,102	201,453,000	11,253,800,473
Additions	-	-	5,047,955	-	-	170,500	-	87,212	-	-	5,305,667	-	-	-	-	5,305,667
Disposals																
Cost	-	-	-	-	-	-	-	-	(3,473,262)	-	(3,473,262)	-	-	-	-	(3,473,262)
Accumulated depreciation	-	-	-	-	-	-	-	-	3,285,286	-	3,285,286	-	-	-	-	3,285,286
	-	-	-	-	-	-	-	-	(187,976)	-	(187,976)	-	-	-	-	(187,976)
Depreciation charge	-	(71,335,443)	(97,598,836)	(12,522,460)	(19,125,426)	(2,708,727)	(1,750,908)	(2,910,649)	(411,800)	(7,234)	(208,371,483)	(121,397)	(2,401,164)	(1,971,855)	(4,494,416)	(212,865,899)
Closing net book value	2,188,053,750	1,712,050,620	6,255,943,173	258,158,184	363,383,085	24,532,832	15,758,172	26,225,984	4,922,778	65,103	10,849,093,681	5,582,222	153,911,115	37,465,247	196,958,584	11,046,052,265
At July 01, 2014																
Cost / revaluation	2,188,053,750	2,056,718,631	6,724,458,650	313,061,502	442,400,000	76,475,185	39,066,209	83,184,411	33,245,082	525,248	11,957,188,668	7,405,200	211,268,114	65,966,667	284,639,981	12,241,828,649
Accumulated depreciation	-	(344,668,011)	(468,515,477)	(54,903,318)	(79,016,915)	(51,942,353)	(23,308,037)	(56,958,427)	(28,322,304)	(460,145)	(1,108,094,987)	(1,822,978)	(57,356,999)	(28,501,420)	(87,681,397)	(1,195,776,384)
Net book value	2,188,053,750	1,712,050,620	6,255,943,173	258,158,184	363,383,085	24,532,832	15,758,172	26,225,984	4,922,778	65,103	10,849,093,681	5,582,222	153,911,115	37,465,247	196,958,584	11,046,052,265
Year ended June 30, 2015																
Opening net book value	2,188,053,750	1,712,050,620	6,255,943,173	258,158,184	363,383,085	24,532,832	15,758,172	26,225,984	4,922,778	65,103	10,849,093,681	5,582,222	153,911,115	37,465,247	196,958,584	11,046,052,265
Additions	623,385	-	14,000	9,300	-	-	42,315	759,025	4,853,194	-	6,301,219	-	-	-	-	6,301,219
Transfer from leased assets to owned assets:																
Cost	-	-	7,500,000	-	-	-	-	-	-	-	7,500,000	-	(7,500,000)	-	(7,500,000)	-
Accumulated depreciation	-	-	(2,036,169)	-	-	-	-	-	-	-	(2,036,169)	-	2,036,169	-	2,036,169	-
	-	-	5,463,831	-	-	-	-	-	-	-	5,463,831	-	(5,463,831)	-	(5,463,831)	-
Disposals:																
Cost	-	-	-	-	-	-	-	-	(2,430,546)	-	(2,430,546)	-	-	-	-	(2,430,546)
Accumulated depreciation	-	-	-	-	-	-	-	-	2,227,713	-	2,227,713	-	-	-	-	2,227,713
	-	-	-	-	-	-	-	-	(202,833)	-	(202,833)	-	-	-	-	(202,833)
Surplus on revaluation	3,207,865	75,438,885	94,255,327	16,229,233	20,385,069	-	-	-	-	-	209,516,379	-	-	-	-	209,516,379
Depreciation charge	-	(68,482,025)	(97,598,841)	(12,522,717)	(18,169,154)	(2,453,283)	(1,576,969)	(2,666,104)	(1,329,129)	(6,510)	(204,804,732)	(121,397)	(2,401,159)	(1,873,262)	(4,395,818)	(209,200,550)
Closing net book value	2,191,885,000	1,719,007,480	6,258,077,490	261,874,000	365,599,000	22,079,549	14,223,518	24,318,905	8,244,010	58,593	10,865,367,545	5,460,825	146,046,125	35,591,985	187,098,935	11,052,466,480
At June 30, 2015																
Cost / revaluation	2,191,885,000	1,719,007,480	6,258,077,490	261,874,000	365,599,000	76,475,185	39,108,524	83,943,436	35,667,730	525,248	11,032,163,093	7,405,200	203,768,114	65,966,667	277,139,981	11,309,303,074
Accumulated depreciation	-	-	-	-	-	(54,395,636)	(24,885,006)	(59,624,531)	(27,423,720)	(466,655)	(166,795,548)	(1,944,375)	(57,721,989)	(30,374,682)	(90,041,046)	(256,836,594)
Net book value	2,191,885,000	1,719,007,480	6,258,077,490	261,874,000	365,599,000	22,079,549	14,223,518	24,318,905	8,244,010	58,593	10,865,367,545	5,460,825	146,046,125	35,591,985	187,098,935	11,052,466,480
Annual rate of depreciation (%)		4	-	-	05	10	10	10	20	10		-	-	05		

	Note	2015 Rupees	2014 Rupees
15.1 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	28.1	203,621,838	207,785,308
Administrative expenses	29	5,578,712	5,080,591
		209,200,550	212,865,899

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, 2015 and 2014 would have been as follows:**

2015			
Description	**Cost**	**Accumulated depreciation**	**Written down value**
	---------Rupees-----------		
Freehold land	88,714,638	-	88,714,638
Building on freehold land	2,113,125,299	824,063,194	1,289,062,105
Plant and machinery	5,625,797,410	1,757,942,653	3,867,854,757
Electric installations	304,777,663	130,155,631	174,622,032
Generators	245,077,888	143,759,260	101,318,628
	8,377,492,898	2,855,920,738	5,521,572,160

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

15.3 **Detail of disposals of property, plant and equipment**

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
	------------ Rupees ------------				
Vehicles (By negotiation)					
	1,196,166	1,086,995	109,171	400,000	Muhammad Imran Chak # 204/R.B Tehsil and District FSD.
	1,234,380	1,140,718	93,662	93,662	Mr. Umer Aziz H # B-1260, Peoples Colony # 1, Faisalabad.
	2,430,546	2,227,713	202,833	493,662	
2015	2,430,546	2,227,713	202,833	493,662	
2014	3,473,262	3,285,286	187,976	1,645,000	

	2015 Rupees	2014 Rupees

16. Long term deposits

	2015 Rupees	2014 Rupees
Lease key money	3,311,898	3,686,898
Security deposits	12,636,768	12,636,768
	15,948,666	16,323,666
Less: Current portion - Lease key money	3,311,898	3,686,898
	12,636,768	12,636,768

17. Stores, spares and loose tools

	2015 Rupees	2014 Rupees
Stores	401,633,981	448,828,063
Spares	23,067,985	22,066,027
Loose tools	1,030	1,030
	424,702,996	470,895,120

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

18. Stock in trade

	2015 Rupees	2014 Rupees
Raw material	114,545,008	57,082,186
Work in process	159,979,228	137,558,894
Finished goods	168,598,634	419,271,435
Waste	2,247,304	2,016,188
	445,370,174	615,928,703

18.1 Stock in trade amounting to Rs. 32.927 million (2014: Rs. 253.993 million) is at net realizable value.

19. Trade debts

	2015 Rupees	2014 Rupees
Considered good		
Secured		
Foreign	8,708,209	30,498,205
Unsecured		
Foreign	1,558,518,981	1,910,815,664
Local	146,309,583	196,407,250
	1,704,828,564	2,107,222,914
	1,713,536,773	2,137,721,119

20. Loans and advances

	2015 Rupees	2014 Rupees
Considered good		
Loans to employees		
Executives	385,000	505,000
Others	31,000	796,026
Advances		
Suppliers / contractors	34,148,446	56,675,075
Income tax	17,295,732	11,283,830
	51,860,178	69,259,931

	Note	2015 Rupees	2014 Rupees
21. Deposits and prepayments			
Deposits			
Security deposits		1,292,858	1,292,858
Current portion of long term deposits	16	3,311,898	3,686,898
Guarantee / export margin		7,644,616	7,644,616
Prepayments		415,763	34,798
		12,665,135	12,659,170
22. Other receivables			
Export rebate / duty drawback		20,797,826	30,809,567
Excise duty		3,932,395	3,971,822
		24,730,221	34,781,389
23. Tax refunds due from Government			
Sales tax		19,831,683	32,419,508
Income tax		13,736,536	16,586,589
		33,568,219	49,006,097
24. Cash and bank balances			
Cash in hand		4,567,641	8,515,708
Cash at banks			
In current accounts		22,733,299	29,584,858
		27,300,940	38,100,566
25. Sales			
Export			
Fabrics / made ups / garments	25.1	725,223,495	508,133,307
Add: Export rebate / duty drawback		5,163,732	3,896,261
		730,387,227	512,029,568
Less:			
Commission		4,373,065	5,595,496
Discount		3,279,358	1,494,910
		7,652,423	7,090,406
		722,734,804	504,939,162
Local			
Yarn		961,732,888	1,214,263,086
Fabrics / made ups		242,586,789	221,137,037
Processing, conversion and stitching charges		286,791,640	325,212,139
		1,491,111,317	1,760,612,262
		2,213,846,121	2,265,551,424

25.1 It includes exchange gain of Rs. 1,599,549/- (2014: Rs. 784,800/-).

	Note	2015 Rupees	2014 Rupees

26. Cost of sales

	Note	2015 Rupees	2014 Rupees
Cost of goods manufactured	26.1	2,325,217,512	2,483,068,119
Finished goods			
Opening stock		421,287,623	453,281,656
Closing stock		(170,845,938)	(421,287,623)
		250,441,685	31,994,033
Cost of sales		2,575,659,197	2,515,062,152

26.1 Cost of goods manufactured

	Note	2015 Rupees	2014 Rupees
Raw material consumed	26.1.1	1,209,527,114	1,353,325,199
Salaries, wages and benefits		270,575,641	237,046,394
Staff retirement benefits		25,599,541	21,641,524
Stores and spares		117,486,496	171,823,728
Dyes and chemicals		74,762,164	58,327,809
Packing material		62,885,455	56,338,134
Repairs and maintenance		13,684,421	10,720,036
Fuel and power		245,100,117	303,987,121
Insurance		2,254,750	2,835,313
Depreciation	15.1	203,621,838	207,785,308
Other		122,140,309	78,472,468
		2,347,637,846	2,502,303,034
Work in process			
Opening stock		137,558,894	118,323,979
Closing stock		(159,979,228)	(137,558,894)
		(22,420,334)	(19,234,915)
		2,325,217,512	2,483,068,119

26.1.1 Raw material consumed

	2015 Rupees	2014 Rupees
Opening stock	57,082,186	54,600,246
Purchases including purchase expenses	1,266,989,936	1,355,807,139
	1,324,072,122	1,410,407,385
Closing stock	(114,545,008)	(57,082,186)
	1,209,527,114	1,353,325,199

27. Other income

	2015 Rupees	2014 Rupees
Income from assets other than financial assets:		
Sale of waste material	1,982,007	1,786,021
Rental income	9,150,625	7,296,250
Gain on disposal of operating assets	290,829	1,457,023
Balances written back - net	144,045,084	109,337,840
	155,468,545	119,877,134

28. Selling and distribution expenses

	2015 Rupees	2014 Rupees
Advertisement and publicity	292,500	354,415
Carriage and freight	15,099,718	7,716,776
Export clearing and forwarding	6,972,201	4,876,923
Export development surcharge	1,844,006	1,203,795
Other	4,118,697	4,833,770
	28,327,122	18,985,679

	Note	2015 Rupees	2014 Rupees

29. Administrative expenses

	Note	2015 Rupees	2014 Rupees
Directors' remuneration		4,800,000	4,800,000
Salaries and benefits		67,505,412	59,020,137
Staff retirement benefits		9,858,354	7,560,123
Electricity		427,224	945,985
Postage, telephone and telex		3,181,756	3,282,977
Vehicles running and maintenance		12,910,564	17,280,952
Travelling and conveyance		14,347,102	17,423,880
Printing and stationery		1,831,975	1,470,223
Entertainment		4,344,696	4,449,249
Fees and subscriptions		2,130,688	1,351,453
Legal and professional		3,670,053	3,514,700
Rent, rates and taxes		1,084,733	850,169
Auditors' remuneration	29.1	726,000	813,500
Repairs and maintenance		1,110,637	835,353
Depreciation	15.1	5,578,712	5,080,591
Insurance		27,282	20,654
Other		296,653	647,790
		133,831,841	129,347,736

29.1 Auditors' remuneration

	Note	2015 Rupees	2014 Rupees
Audit fee		500,000	500,000
Sundry services		176,000	263,500
Out of pocket expenses		50,000	50,000
		726,000	813,500

30. Finance cost

	Note	2015 Rupees	2014 Rupees
Interest / mark up on:			
Long term financing	30.1	57,450,342	71,261,684
Liabilities against assets subject to finance lease		3,199,818	3,386,368
Short term bank borrowings	30.1	33,283,619	29,109,999
Bank charges and commission		4,387,209	7,316,109
		98,320,988	111,074,160

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.

31. Provision for taxation

	Note	2015 Rupees	2014 Rupees
Current			
For the year		12,282,385	8,185,918
For prior years		278,384	2,061,443
Deferred	31.1	-	-
		12,560,769	10,247,361

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.

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 .

32. (Loss) per share- Basic and diluted

		2015	2014
(Loss) for the year	Rupees	(479,385,251)	(399,288,530)
Weighted average number of ordinary shares outstanding during the year	Numbers	115,000,000	115,000,000
(Loss) per share- Basic and diluted	Rupees	-4.17	-3.47

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

	2015			2014		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Remuneration	1,600,000	1,600,000	5,995,046	1,600,000	1,600,000	4,911,670
House rent allowance	480,000	480,000	1,941,460	480,000	480,000	1,473,501
Medical allowance	160,000	160,000	599,507	160,000	160,000	491,172
Utility allowance	160,000	160,000	544,507	160,000	160,000	491,172
	2,400,000	2,400,000	9,080,520	2,400,000	2,400,000	7,367,515
Number of persons	1	2	6	1	2	5

33.1 The Chief Executive Officer and Directors are entitled to free use of Company maintained vehicles. The monetary value is Rs. 2,549,457/- (2014: Rs. 2,514,919/-). 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. There is no other significant transaction with related parties.

35. INSTALLED CAPACITY AND ACTUAL PRODUCTION

Textile Product	Unit	Rated capacity per annum		Actual production per annum	
		2015	2014	2015	2014
Fabrics	Mtrs	9,000,000	9,000,000	1,615,983	1,887,410
Made ups	Mtrs	59,000,000	59,000,000	855,902	545,210
Garments	Mtrs	3,500,000	3,500,000	760,081	1,125,200

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.

36. NUMBER OF EMPLOYEES

	2015	2014
Total number of employees as at June 30,	2,139	2,212
Average number of employees for the year	2,146	2,250

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.

37.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2015 Rupees	2014 Rupees
Financial assets:		
Loans and receivables at amortised cost		
Trade debts	1,713,536,773	2,137,721,119
Loans and advances	416,000	1,301,026
Deposits	25,301,903	25,295,938
Cash and bank balances	27,300,940	38,100,566
	1,766,555,616	2,202,418,649
Financial liabilities:		
Financial liabilities at amortised cost		
Long term financing	4,677,814,465	4,832,854,465
Liabilities against assets subject to finance lease	32,374,140	34,153,759
Trade and other payables	999,239,911	1,474,693,579
Interest / markup payable	1,277,318,287	1,274,156,966
Short term bank borrowings	5,785,580,429	5,681,149,135
	12,772,327,232	13,297,007,904

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 and M/S Chenone Stores Limited. The trade debts receivable from these customers constitute 79.00% (2014: 82.00%) of the total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2015 Rupees	2014 Rupees
Trade debts	1,713,536,773	2,137,721,119
Loans and advances	416,000	1,301,026
Deposits	25,301,903	25,295,938
Bank balances	22,733,299	29,584,858
	1,761,987,975	2,193,902,941

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:

	2015 Rupees	2014 Rupees
Alam B.V. Raaigars Holland	428,190,433	435,504,975
C.G.I. Limited U.A.E	824,686,972	829,256,287
Hamad Herith Saudi Arabia	-	340,060,301
Chenone Stores Limited	103,403,410	141,965,108
Other customers	357,255,958	390,934,448
	1,713,536,773	2,137,721,119

The aging of trade debts as at balance sheet date is as under:

Not past due	181,142,437	208,937,398
Past due within one year	2,281,194	22,956,979
Past due over one year	1,530,013,919	1,905,826,742
	1,532,295,113	1,928,783,721
	1,713,437,550	2,137,721,119

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. The company has initiated the legal proceedings for recovery against some 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.

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, 2015 and 2014;

	2015					
	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	4,749,554	5,565,884	2,549,253	129,408	826,541	2,060,682
Liabilities against assets subject to finance lease	32,374	39,448	10,978	2,400	26,070	-
Trade and other payables	999,240	999,240	999,240	-	-	-
Short term bank borrowings	5,785,580	5,802,195	5,802,195	-	-	-
Interest / markup payable	1,963,485	1,963,485	1,277,318	-	186,549	499,618
	13,530,233	14,370,252	10,638,984	131,808	1,039,160	2,560,300

	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

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 risk, the Company is in the process of settlement of liabilities and approval of structured finance limits against local sales and 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. 19.390 million (2014: Rs. 21.150 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. 1,651.053 million (2014: Rs. 2,038.695 million).

At June 30, 2015, 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. 75.50 million (2014: Rs. 91.01 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.

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, 2015 and 2014 were as follows:

	Note	2015 Rupees	2014 Rupees
Total debt	8, 9 & 13	10,282,792,473	10,217,304,273
Less: Cash and cash equivalents	24	27,300,940	38,100,566
Net debt		10,255,491,533	10,179,203,707
Total equity		(5,244,931,218)	(4,781,852,384)
Total capital		5,010,560,315	5,397,351,323
Gearing ratio		204.68%	188.60%

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. 2,388.804 million (2014: Rs. 1,987.269 million) along with mark up of Rs. 543.211 million (2014: Rs. 543.211 million), lease finances amounting to Rs. 8.577 million (2014: Rs. 6.997 million) along with mark up of Rs. 2.329 million (2014: Rs. 1.549 million) and short term borrowings amounting to Rs. 5,572.058 million (2014: Rs. 5444.502 million) along with mark up of Rs. 732.294 million (2014: Rs. 729.397 million) were over due.

On reporting date, the carrying amount of loans relevant to above overdues were long term financing Rs. 4,177.001 million (2014: Rs. 3,941.769 million), lease finances Rs. 32.374 million (2014: Rs.34.153 million) and short term borrowings Rs. 5,785.580 million (2014: Rs. 5,444.502 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 **October 09, 2015** by the Board of Directors of the Company.

39. DIVIDEND FOR CUMULATIVE PREFERENCE SHARES

The dividend for cumulative preference shares amounting to Rs. 330.380 million (2014: 307.330 million) will be accumulated and payable in the ensuing years when the sufficient amount of profit will be available for appropriation.

40. GENERAL

40.1 RE-ARRANGEMENTS

Prior year figures have been rearranged / regrouped wherever considered necessary for the purpose of better presentation. Significant rearrangements made are as follows;

Loans from associates were shown together with the loans from directors under the head "Unsecured from directors and associates". These have been disclosed as a separate line item under the same head to distinguish the amounts payable to directors and associates.

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)

Form 34

Pattern of Holding of Ordinary Shares
Held by Shares Holders as at June 30, 2015

Share Holders	From	To	Total Shares
94	1	100	3,816
454	101	500	214,447
242	501	1,000	239,220
442	1,001	5,000	1,382,661
144	5,001	10,000	1,224,962
58	10,001	15,000	765,334
40	15,001	20,000	765,500
25	20,001	25,000	595,000
22	25,001	30,000	624,500
11	30,001	35,000	360,500
13	35,001	40,000	501,394
9	40,001	45,000	400,785
19	45,001	50,000	940,730
3	50,001	55,000	159,000
5	55,001	60,000	288,504
3	65,001	70,000	207,500
3	70,001	75,000	222,500
6	75,001	80,000	469,000
1	85,001	90,000	88,500
4	95,001	100,000	400,000
3	100,001	105,000	308,059
4	110,001	115,000	452,500
1	115,001	125,000	118,500
3	125,001	140,000	408,500
3	140,001	150,000	442,000
4	150,001	175,000	646,500
2	175,001	200,000	380,000
3	200,001	250,000	660,500
4	255,001	300,000	1,171,519
3	300,001	350,000	963,636
1	350,001	400,000	400,000
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	1,000,000	925,000
2	1,550,001	1,600,000	3,186,500
1	2,000,001	2,100,000	2,082,483
1	2,450,001	2,500,000	2,457,000
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
1648			**115,000,000**

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

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	281,519	0.24
Financial Institutions,Insurance Companies,Investment Companies, Joint Stock Companies ,Leasing Companies,Mutual Fund & etc.				
Investment Companies		1	25,000	0.02
Joint Stock Companies		11	906,685	0.79
Others		2	6,560,556	5.70
Individuals		1624	30,592,775	26.60
		1648	**115,000,000**	**100.00**

Form 34

Pattern of Holding of Preference Shares
Held by Shares Holders as at June 30,2015

ShareHolders	From	To	Total Shares
36	1	100	1,115
578	101	500	286,432
64	501	1,000	62,786
257	1,001	5,000	847,353
128	5,001	10,000	1,072,501
48	10,001	15,000	616,501
46	15,001	20,000	863,500
28	20,001	25,000	684,014
18	25,001	30,000	520,500
19	30,001	35,000	634,000
13	35,001	40,000	497,000
4	40,001	45,000	178,000
21	45,001	50,000	1,027,000
9	50,001	55,000	466,521
9	55,001	60,000	528,000
6	60,001	65,000	382,500
3	65,001	70,000	209,000
9	70,001	80,000	687,500
7	80,001	90,000	590,000
13	90,001	100,000	1,290,500
16	100,001	150,000	2,055,640
10	150,001	200,000	1,787,500
3	200,001	250,000	661,500
3	250,001	300,000	875,000
7	300,001	400,000	2,453,500
4	400,001	600,000	1,860,000
3	600,001	800,000	1,987,500
2	800,001	1,000,000	1,927,500
1	1,000,001	1,100,000	1,100,000
2	1,200,001	1,300,000	2,550,000
2	1,400,001	1,500,000	2,988,000
2	1,500,001	2,000,000	3,287,637
1	2,500,001	3,000,000	2,664,500
3	9,995,001	10,000,000	30,000,000
1	12,355,001	12,360,000	12,357,000
1376			**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	1,552,500	1.94
Financial Institutions	7	46,608,500	58.26
Joint Stock Companies	7	344,001	0.43
Others	1	1,536,137	1.92
Individuals	1359	29,958,862	37.45
	1376	**80,000,000**	**100.00**

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 31st Annual General Meeting of the Company to be held on October 30, 2015, and at any adjournment thereof.

Signed this __________ day of __________ 2015.

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

Revenue Stamp Rs.5/-

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

WITNESSES:

1.	Signature	____________	2.	Signature	____________
	Name	____________		Name	____________
	NIC	____________		NIC	____________
	Address	____________		Address	____________

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 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 NIC 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 Provide earlier).

Chenab
LIMITED

Chenab
LIMITED

Nishatabad, Faisalabad - Pakistan
Tel: +92 41 8754472 - 76
Fax: + 92 41 8752400, 8752700
Email: chenab@chenabgroup.com
Web: www.chenabgroup.com