

FINANCIAL
STATEMENTS
2017



Contents

Company Information	03
Vision and Mission Statements	04
Financial Highlights	05
Notice of Extra Ordinary General Meeting	06
Director's Report to the Members	08
Director's Report in Urdu	11
Auditor's Report to the Members	14
Balance Sheet	18
Profit & loss Account	20
Statement of Comprehensive Income	21
Cash Flow Statement	22
Statement of Changing in Equity	24
Notes to the Financial Statement	25
Pattern of Shareholding (Ordinary Shares)	47
Pattern of Shareholding (Preference Shares)	49
Form of Proxy	51

Company Information

Chief Executive

Mian Muhammad Latif

Mian Muhammad Javaid Iqbal
Mr. Muhammad Naeem
Mr. Muhammad Faisal Latif
Mr. Muhammad Farhan Latif
Mr. Muhammad Zeeshan Latif
Mr. Tariq Ayub Khan

Major Bankers

Allied Bank Limited.
Askari Bank Limited.
AlBaraka Bank (Pakistan) Limited.
Citibank, N.A.
Faysal Bank Limited.
First Credit & Investment Bank Limited.
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 & Agricultural Investment
Silk Bank Limited.
Standard Chartered Bank (Pakistan) Limited.
The Bank of Punjab.
United Bank Limited.

Company Secretary/ Chief Financial Officer

Mr. Muhammad Arshad

Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants.

Shares Registrar

F.D. Registrar Services (SMC-Pvt.) Limited
Office # 1705, 17th Floor, Saima Trade
Tower-A, I.I. Chundrigar Road, Karachi.
Tel:021-32271905-6/021-35478192-3

Registered Office

Nishatabad, Faisalabad.
Tel:+92 41 8754472-8
Fax:+92 41 8752400, 8752700
chenab@chenabgroup.com
www.chenabgroup.com

Website Address

Works

-Spinning Unit - Toba Tek Singh.
-Weaving Unit - Kharianwala, Distt: Sheikhpura.
-Weaving Unit - Shahkot, Distt: Nankana Sahib.
-Processing & Stitching Units – Nishatabad, Fsd.

Vision

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

Mission Statement

- ❖ To be the business house of first choice for customers.
- ❖ To be a change leader.
- ❖ To produce innovative, relevant and cost effective products.
- ❖ Setting and maintaining high standards.
- ❖ To earn profits by achieving optimum level of production by using state of 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 meet social and cultural obligations towards society being a patriotic and conscientious corporate citizens.

Financial Highlights

	2017	2016	2015	2014	2013	2012	2011
Operational performance							
Sales-net	1,764,452	2,007,632	2,213,846	2,265,551	2,171,725	2,606,632	4,374,335
Cost of sales	2,493,141	2,259,157	2,575,659	2,515,062	2,546,224	3,943,890	5,541,365
Gross profit	(728,689)	(251,525)	(361,813)	(249,511)	(374,499)	(1,337,258)	(1,167,030)
Operation (loss) / profit	(868,913)	(99,201)	(206,345)	(129,634)	(226,525)	(1,316,787)	(1,167,403)
Loss/Profit before taxation	(970,676)	(379,230)	(466,824)	(389,041)	(488,509)	(1,672,947)	(2,857,923)
Loss/Profit after taxation	(992,228)	(389,703)	(479,385)	(399,289)	(493,799)	(1,690,468)	(2,887,751)
Financial position							
Property, Plant and equipment	11,185,697	10,848,916	11,052,466	11,046,052	11,253,800	11,462,209	11,659,237
Capital work in progress	-	-	-	-	-	-	-
Long term deposits	12,637	12,637	12,637	12,637	12,637	8,805	8,851
Fixed capital expenditure	11,198,334	10,861,553	11,065,103	11,058,689	11,266,437	11,471,014	11,668,088
Total assets	13,147,032	13,467,685	13,798,837	14,487,041	15,045,669	15,495,014	17,204,093
Current asset							
Store, spare parts and stocks in trade	100,140	756,931	870,072	1,086,824	1,185,960	1,370,828	2,355,099
Other current assets	1,820,136	1,824,970	1,836,361	2,303,428	2,576,549	2,623,465	3,161,152
Cash and cash equivalents	28,422	24,231	27,301	38,100	16,723	29,707	19,754
Total	1,948,698	2,606,132	2,733,734	3,428,352	3,779,232	4,024,000	5,536,005
Current liabilities							
Short term bank borrowing	4,342,499	4,988,748	5,785,580	5,681,149	5,746,683	5,570,582	7,266,478
Current portion of long term loans/morabaha	2,784,879	2,757,063	2,675,537	2,416,944	2,054,106	1,716,298	1,388,646
Other current liabilities	3,133,986	2,842,071	2,385,471	2,972,167	3,155,952	3,309,028	3,621,008
Total	10,261,364	10,587,882	10,846,588	11,070,260	10,956,741	10,595,908	12,276,132
Net working capital	(8,312,666)	(7,981,750)	(8,112,854)	(7,641,908)	(7,177,509)	(6,571,908)	(6,740,127)
Long term loans/Finance lease, morabaha	2,708,314	2,353,982	2,086,486	2,378,188	2,786,025	3,196,416	19,000,281
Shareholder's equity	6,547,438	(5,588,895)	(5,244,931)	(4,781,852)	(4,428,460)	(3,965,244)	(2,295,908)
Profitability analysis							
Gross profit to sale (%)	(41.30)	(12.53)	(16.34)	(11.01)	(17.24)	(51.30)	(26.68)
Loss/Profit before tax to sales (%)	(55.01)	(18.89)	(21.09)	(17.17)	(22.49)	(64.18)	(65.33)
Loss/Profit after tax to sales (%)	(56.23)	(19.41)	(21.65)	(17.62)	(22.74)	(64.85)	(66.02)
Return on Investment (%)	(7.55)	(2.89)	(3.47)	(2.76)	(3.28)	(10.91)	(16.79)
Return on equity (%)	(15.15)	6.97	9.14	8.35	11.15	42.63	125.78
Earnings per share (Rupees)	(8.63)	(3.39)	(4.17)	(3.47)	(4.29)	(14.70)	(25.11)
Financial analysis							
Current ratio (time)	0.19	0.25	0.25	0.31	0.34	0.38	0.45
Debt to equity (time)	0.84	(0.91)	(0.91)	(1.00)	(1.09)	(1.24)	(1.43)
Total Debt to Total Assets	0.42	0.38	0.35	0.33	0.32	0.32	0.19
Total Debt to Fixed Assets	0.49	0.47	0.43	0.43	0.43	0.43	0.28

NOTICE OF EXTRA ORDINARY GENERAL MEETING

Notice is hereby given that the Extra Ordinary General Meeting of the shareholders of **CHENAB LIMITED** will be held at 11.00 A.M. on Friday the 28 January 2022 at Registered Office of the Company i.e, Nishatabad, Faisalabad to transact the following business:-

ORDINARY BUSINESS

- 1) To elect 10 Directors in accordance with the provisions of Section 159 (1) of the Companies Act 2017 for a term of 3 three years from the election date under code of corporate Governance Regulation dated September 25, 2019. Annexed to this notice is a statement of facts as required u/s 166(3) of the companies Act 2017 relating to the aforesaid Ordinary Business being sent to shareholders.
- 2) To consider and approve the annual audited financial statements of the company for the year ended June 30, 2017 along with auditor's report and reply to the Audit observations thereon audited by M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, Lahore who were appointed by the High Court Lahore on the requirement of Joint Official Liquidators.

SPECIAL BUSINESS

- 3) To consider and, if thought proper, pass following resolutions, with or without modification, as Special Resolution:-

RESOLVED THAT: - A new object clause under Serial No. 21-A be inserted "To lease out /sell any part of the business".

FURTHER RESOLVED THAT Article 49A; be deleted as the Financial Facilities Secured from NDFC stand already paid.

New Article 49A be inserted to add two nominee Directors of financial institutions as per Scheme of arrangement already allowed by the court.

ALSO RESOLVED THAT to amend Article Clause 50 for suitable increase in the meeting fee for directors.

FORTHER RESOLVED THAT Company Secretary of the Company be and is hereby authorized to fulfill all legal, corporate and procedural formalities and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolution.

A Statement under Section 134(3) of the Companies Act 2017 read together with SRO 423(I) 2018 dated 3 April 2018 in connection with the special Business above is being sent to the shareholders along with this notice.

Any other matter with the permission of the chair

FOR AND ON BEHALF OF
CHENAB LIMITED

FAISALABAD

January 03, 2022

(MUHAMMAD ARSHAD)
COMPANY SECRETARY

NOTES:

- 1) Any person who seeks to contest elections to the office of Director shall, file with the Company at its Registered Office, not later than 14 (fourteen) days before the date of the meeting notice of his/her intention to offer himself/herself for election as a Director together with his/her consent to act as a Director as required under Section 159(3) of the Companies Ordinance, 2017
- 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 Extra Ordinary 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.

STATEMENT UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017 IN CONNECTION WITH ORDINARY BUSINESS.

This statement sets out the material facts concerning the ordinary business to be transacted at the Extra Ordinary General Meeting of the Company to be held on 28 January, 2022.

- I. The company is required to conduct election of Directors under code of cooperate Governance Regulation dated September 25, 2019.
- II. After the notice/intention to stand for election has been filed. The company shall choose the independent Directors applying the prescribed criteria
- III. A declaration by independent Director(s) under clause 6 (the listed companies (code of corporate Governance) Regulations, 2019 shall be submitted.

Potential candidates may contact Muhammad Arshad, at arshad@chenabgroup.com, for any queries or assistance on the above.

The final list of contesting directors will be circulated not later than seven days before the date of said meeting in terms of section 159(4) of the Companies Act, 2017. Further the website of the Company will also be updated with the required information.

For any query/problem/information, the investors may contact the Company Secretary at email address; arshad@chenabgroup.com,

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 READ WITH SRO 423(1)/2018 DATED APRIL 03, 2018 IN CONNECTION WITH SPECIAL BUSINESS.

This statement sets out the material facts concerning the special business to be transacted at the Extra Ordinary General Meeting of the Company to be held on 28 January, 2022.

AMENDMENT IN THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

The Board of Directors of the company in their meeting held on January 03, 2022 approved to recommend the shareholders to consider amending the Memorandum/Article Association of the Company.

The Board confirms that proposed amendment are in line with the applicable provisions of law and regulatory frame work. The Directors of the company, whether directly or indirectly, have no interest in amending the Memorandum/articles Association of the company.

- (I) New object clause under Serial No. 21-A be inserted "To lease out/sell any part of the business".
- (II) The existing Article 49A of the Articles of Association of the Company deleted as the Financial Facilities Secured from NDFC stand already paid.
- (III) New Article 49A be inserted to add two nominee Directors of financial institutions as per Scheme of arrangement already allowed by the court/ share holders.
- (IV) To amend Article Clause 50 for suitable increase in the meeting fee for directors.

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, 2017. The Company had gone under Liquidation by the Lahore High Court Lahore vide its order dated 13-07-2017, which was reversed on 29-10-2021.

SALES REVENUE

Sales revenue of Rs.1.764 billion has been earned during the year as compared to Rs.2.007 billion achieved during the preceding year showing 12.10% decrease due to unfavorable circumstances.

FINANCIAL RESULTS AND REASONS FOR LOSS

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

In view of adverse situation, the company has sustained financial loss of Rs.992 million as compared with previous year loss of Rs.390 million.

However, the financial results for the year ended June 30, 2017 with comparative figures are as follows:-

	2017	2016
	Rupees	Rupees
Sales	1,764,452,242	2,007,632,402
Cost of sales	<u>(2,493,140,675)</u>	<u>(2,259,157,207)</u>
Gross loss	(728,688,433)	(251,524,805)
Operating expenses		
Selling and distribution expenses	<u>(12,761,833)</u>	<u>(19,031,070)</u>
Administrative expenses	<u>(127,462,763)</u>	<u>(132,731,610)</u>
	<u>(140,224,596)</u>	<u>(151,762,680)</u>
Operating Loss	(868,913,029)	(403,287,485)
Other income	35,374,118	152,323,470
Finance cost	<u>(137,136,592)</u>	<u>(128,265,826)</u>
Loss before taxation	(970,675,503)	(379,229,841)
Provision for taxation	(21,552,801)	(10,473,466)
Loss for the year after taxation	<u>(992,228,304)</u>	<u>(389,703,307)</u>
Earnings per share- Basic& diluted	<u>(8.63)</u>	<u>(3.39)</u>

DIVIDEND ON PREFERENCE SHARES

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

NON PAYMENT OF DEBT OBLIGATIONS

Due to financial losses sustained by the company, it could not pay debt obligations to its financial creditors in accordance with terms of loan agreements. Accordingly the Lahore High Court Lahore issued winding up order dated 13-07-2017 on the complaint of one of its small creditors.

A BRIEF ON REVIVAL OF THE COMPANY

Earlier, Lahore High Court Lahore vide its order dated 13-07-2017 announced the winding up of the company in a petition filed by a small creditor of the company. However, the major banks of the company did not consider the winding up company as solution for recovery of debt. The banks took into consideration Chenab's excellent track record for the last 35 years and its great capacity to bounce back to pay all its financial obligations through normal course of business. The default made by the company in payment of debt was purely due to some un-controllable local & international factors including past severe energy crises in the country.

Therefore; with consultation of the Sponsors a "Scheme of Arrangement" for the revival of the company was prepared by the secured creditors and filed in the Lahore High Court, Lahore vide a petition C.O. No. 2660 of 2021. Accordingly, two separate meetings of the secured creditors and contributories/members were held on 22-02-2021 under the supervision of two chairmen appointed by Honorable Court wherein the said Scheme was approved by 90.40% of secured creditors in attendance and 100% of contributories/Members present in person or through proxies. The Court also allowed the said Scheme and recalled its earlier winding up order.

FUTURE PROSPECTUS

- 1) The growth of Pakistan textile is expected to increase by about 30% for the current fiscal year. This significant increase is attributed by the subsidized energy tariff and formation of the conducive policies by the government for the textile sector. Keeping in view of the potential growth, recently a heavy investment has been seen in the textile industry. The company is also ready to get the benefit of this good opportunity. No major capital investment is required by the company. Only some renovation work is needed which has already been started after the restoration of the corporate status of the company.
- 2) Working Capital required during initial years have also been arranged through sponsors' loan, sale of noncore assets of the company and banks are also committed to provide fresh export based working capital limits as per requirements.
- 3) The company has huge production capacity and due to limited working capital arrangements during initial years the entire capacity cannot be used for own exports/sales. Therefore; the management has planned to run the available capacity on toll manufacturing basis. The company has good reputation for quality products. Therefore; it is hoped that there will be no shortage of customers requiring the toll manufacturing services.
- 4) Now with the approval of revival Scheme, a realistic repayment schedule based on actual cash flow of the company has been fixed for the all lender banks/DFIs of the company. During the next 14 years no heavy markup like in the past is required to be paid by the company. The intensive litigation of the banks against the company has come to an end. Now, the management will be in a better position to focus on production/sales and to repay debt of the company as per schedule.

EXPLANATION TO AUDITORS' OBSERVATIONS

A. PREFERENCE SHARES.

As per Scheme of arrangement dated 14-09-2021 approved by Honorable Lahore High Court Lahore position of redemption of preference shares shall be as under

- I. Each of the following Lenders currently hold preference shares of the following outstanding amounts (based on the shares face value):

Lenders	Paid-up and outstanding amount of preference Shares at Face Value
Habib Bank Limited	PKR 100,000,000
Askri Bank Limited	PKR 100,000,000
National Bank of Pakistan	PKR 100,000,000

II. The abovementioned amounts will be repaid to each of the Lenders (and any other preference shareholder) in equal quarterly installments (over a three (3) year period commencing from the first calendar quarter end to occur after the repayment of the total Principal Debt in 14 years.

- B. SECP has initiated proceedings for investigations under section 257 of the Companies Act, 2017. The company has challenged the order and the Honourable Islamabad High Court has stayed the proceedings.
- C. The management is in regular contact with foreign customers for recovery of old trade debt.
- D. Small amount of Balances lying in various Bank Accounts were provided as per books record yet due to litigation certain Banks did not provide balance confirmation Certificates. There is no material impact on financial statements for this short coming.
- E. Similarly reconciliation statements in respect of stores, stock in trade and other were also provided. Hence observation is unwarranted.

CORPORATE SOCIAL RESPONSIBILITY

Because of liquidation of the Company the disclosure of above said information is ignored in these Accounts

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2017 including the information under the code of corporate governance for ordinary and non voting cumulative preference shares is annexed.

BOARD OF DIRECTORS AND THEIR MEETING

Because of liquidation of the Company the powers of Board existing at the time of liquidation order has been ceased under Section 365 of the Companies Act, 2017 therefore no meeting was conducted.

AUDIT COMMITTEE

Because of liquidation of the Company Audit Committee was not functional.

CODE OF CORPORATE GOVERNANCE

Provisions of the code of Corporate Governance were not applicable in view of liquidation of Company.

ACKNOWLEDGEMENT

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

For and on behalf of
BOARD OF DIRECTORS

FAISALABAD
JANUARY 03, 2022

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE

ڈائریکٹرز رپورٹ برائے ممبران

ڈائریکٹرز کمپنی کی سالانہ رپورٹ برائے مالی سال 30 جون 2017 اور پڑتال شدہ حسابات آپ کے سامنے پیش کرتے ہیں۔ کمپنی لاہور ہائی کورٹ لاہور کے حکم کے تحت بمورخہ 13-07-2017 کو تحلیل ہو گئی تھی جو کہ بعد ازاں مورخہ 29-10-2021 کو بحال ہو گئی ہے۔

سیلز پونینو:

1.764 بلین روپے کا سیلز ریونیو دوران سال حاصل کیا گیا بمقابلہ 2.007 بلین روپے جو پچھلے سال حاصل کیا گیا تھا۔ نامساعد حالات کے پیش نظر اس میں 12.10 فیصد کمی واقع ہوئی ہے۔

مالی نقصانات اور نقصان کی وجوہات:

نقصانات کی وجہ سے کمپنی کے مالی ذرائع تحلیل ہو چکے ہیں اور کمپنی دستیاب شدہ برآمدی آرڈرز فنڈز کی کمی وجہ سے پورے نہیں کر سکی، نامساعد صورت حال کی وجہ سے کمپنی کو 992 ملین روپے کا مالی نقصان برداشت کرنا پڑا بمقابلہ 390 ملین روپے کا جو کہ پچھلے مالی سال کا تھا، تاہم مالی نتائج برائے سال 30 جون 2017 بمقابلہ 2016 مندرجہ ذیل ہیں۔

2017	2016	
روپے	روپے	
1,764,452,242	2,007,632,402	سیلز
<u>(2,493,140,675)</u>	<u>(2,259,157,207)</u>	لاگت برائے سیلز
(728,688,433)	(251,524,805)	گراس نقصان
		اخراجات
(12,761,833)	(19,031,070)	فروخت اور تقسیم اخراجات
(127,462,763)	(132,731,610)	انتظامی اخراجات
<u>(140,224,596)</u>	<u>(151,762,680)</u>	
(868,913,029)	(403,287,485)	جاری نقصان
35,374,118	152,323,470	دیگر آمدنی
<u>(137,136,592)</u>	<u>(128,265,826)</u>	مالیات لاگت
(970,675,503)	(379,229,841)	ٹیکس سے قبل نقصان
<u>(21,552,801)</u>	<u>(10,473,466)</u>	متعین کردہ ٹیکس
<u>(992,228,304)</u>	<u>(389,703,307)</u>	سال کا نقصان
<u>(8.63)</u>	<u>(3.39)</u>	بنیادی اور تحلیل شدہ فی حصہ آمدن

منافع برائے ترجیح شیئرز:

مالی نقصانات کی وجہ سے منافع برائے نان ووٹنگ کیویٹیڈونر جینی شیئرز منافع کی دستیابی اور مختص کرنے تک موخر کر دیا گیا ہے۔

قرضوں کی عدم ادائیگی:

مالی نقصانات برداشت کرنے کی وجہ سے قرضوں کی ادائیگی متعلقہ اداروں کو طے شدہ معاہدے کے تحت ادا نہ کر پائی جس پر ایک بینک جس کا قرضہ بھی معمولی سا تھا کی شکایت پر لاہور ہائی کورٹ لاہور نے کمپنی کو تحلیل کرنے کا حکم بمورخہ 13-07-2017 جاری کر دیا تھا۔

مختصر اجمالی کی روداد:

لاہور ہائی کورٹ لاہور بمورخہ 13-07-2017 کے حکم نامہ کے تحت ایک بینک جس کا معمولی قرضہ تھا کی درخواست پر کمپنی کو تحلیل کر دیا تھا تاہم کمپنی کے سرکردہ بینکس نے اس حکم سے اتفاق نہ کرتے ہوئے اس حکم کو قرضوں کی وصولی کے لئے مناسب نہ سمجھا اور کمپنی کی ماضی کی 35 سالہ شاندار تاریخ، وسیع پیداواری صلاحیت کے پیش نظر اور قرضوں کی واپسی کا روبرو سے ہی کی جائے۔ قرضوں کی واپسی کی وجوہات نامساعد ملکی اور بین الاقوامی معاملات بشمول گیس کے بحران کی وجہ سے ہوئی۔ اس لئے سپانسرز کی مشاورت سے کمپنی کی بحالی کے لئے قرض دینے والے بینکس نے ایک درخواست نمبری Co No. 2660/2021 لاہور ہائی کورٹ لاہور میں دائر کر دی ہے، آخر کار دو الگ الگ اجلاس مورخہ 22-02-2021 قرض دینے والے بینکس اور حصہ داران دو چیئرمین جنہیں عدالت نے مقرر کیا تھا کی سربراہی میں ہوئے جس میں کمپنی کی بحالی کو 90.40% قرض دینے والے بینکس اور 100% حصہ داران نے ذاتی طور پر آپریشن کے ذریعے منظور کر لیا اس پر عدالت عالیہ نے اس طریقہ کو منظور کیا اور تحلیل شدہ حکم نامہ واپس ہو گیا۔

مستقبل کا کیفیت نامہ:

- 1- پاکستان کی ٹیکسٹائل دوران مالی سال 30% تک بڑھ جانے کی امید ہے یہ نمایاں ترقی ستے داموں انرجی ٹیرف اور سود مند حکومت کی ٹیکسٹائل کے لئے اقدامات کی بدولت ہے اس نمایاں ترقی کے پیش نظر بہت زیادہ سرمایہ کاری ٹیکسٹائل سیکٹر میں دیکھی گئی ہے۔ کمپنی ہذا اس صورت حال کا بغیر سرمایہ کاری کے فائدہ اٹھا سکتی ہے کمپنی کا کارپوریٹ بحالی معمولی نوعیت کی مرمت کا کام پہلے سے ہی شروع کر دیا گیا ہے۔
- 2- شروع کے سالوں کے لئے درکار سرمایہ سپانسرز کے قرضوں ناپیداواری اثاثوں کی فروخت اور بینکس کی برآمدی آرڈرز کے لئے فریش ورکنگ کیپٹل ضرورت کی بنیاد پر فراہم کئے جائیں گے۔
- 3- کمپنی کی کافی مقدار میں پیداواری صلاحیت اور مختصر جاری سرمایہ کے ابتدائی سالوں کے انتظامات کے پیش نظر اپنی برآمدات / فروخت کے لئے نہیں کیا جا سکتا اس لئے انتظامیہ نے طے کیا ہے کہ دستیاب صلاحیت کو مقامی مصنوعات کے لئے مختص کی جائے جس کے لئے کمپنی کی اچھی شہرت ہے اس لئے اس کام کیلئے سرمایہ کی کمی نہ ہوگی۔
- 4- موجودہ بحالی سکیم کے تحت ایک حقیقت پر مبنی قرضوں کی ادائیگی کا دستیاب فنڈز کے مطابق تمام بینکس اور مالیاتی اداروں کا شیڈول طے کیا گیا ہے جس کے مطابق آنے والے چودہ سالوں میں ماضی کی طرح بھاری سود ادا نہیں کیا جائے گا اور پریشان کرنے والے بینکس کی قانونی چارہ جوئی بھی ختم ہو گئی ہے اب انتظامیہ بہتر انداز میں پیداوار فروختگی اور قرضہ کی ادائیگی طے شدہ شیڈول کے مطابق اپنی توجہ مبذول کر سکے گی۔

ایڈیٹر کے خدشات پر وضاحت:

ترجمی شیئرز کے معاملات:

- (A) کمپنی کے بحالی سکیم مورخہ 14-09-2021 جسے لاہور ہائی کورٹ منظور کر چکی ہے۔ ترجمی شیئرز کی واپسی مندرجہ ذیل طریقوں سے ہوگی۔
- (i) ہر ایک ترجمی شیئرز رکھنے والے کو بنیادی شیئرز کی فیس و بلیو کے تحت ادائیگی ہوگی۔
- | | |
|-----------------------|-----------------|
| حیب بینک لمیٹڈ | Rs: 100,000,000 |
| عسکری بینک لمیٹڈ | Rs: 100,000,000 |
| نیشنل بینک آف پاکستان | Rs: 100,000,000 |
- (ii) مندرجہ بالا رقوم ہر ایک ترجمی شیئرز رکھنے والوں کو ادا کی جائیں گی یا اسی طرح دوسرے ترجمی شیئرز رکھنے والوں کو بھی تین برابر کی اقساط میں پرنسپل قرضہ 14 سال میں ادا ہونے کے بعد تین سال میں ادا کی جائیں گی۔
- (B) سکیورٹی اینڈ ایگزیکٹو کمیشن آف پاکستان نے کمپنیز ایکٹ 2017 سیکشن 257 کے تحت تحقیقات شروع کی تھیں۔ اس حکم نامے کو اسلام آباد ہائیکورٹ میں چیلنج کیا ہوا ہے اور عدالت سے اس ضمن میں کارروائی کوروک دیا گیا ہے۔
- (C) انتظامیہ پرانے بیجے گئے برآمدی مال کی وصولی کیلئے غیر ملکی گاہکوں سے مسلسل رابطے میں ہے۔

(D) معمولی رقوم جو کہ مختلف بنکس اکاؤنٹس میں پڑی تھی قانونی چارہ جوئی کی وجہ سے بیلنس کنفرمیشن سرٹیفکیٹ نہیں پیش کر سکیں تاہم بنکس سٹیٹ منٹس مہیا کر دی گئیں تھیں جس کا کوئی نمایاں اکاؤنٹس پراثر نہیں ہے۔

(E) اسی طرح سٹورز اور سٹاک ان ٹریڈ اور دوسرے اکاؤنٹس کی پڑتال پیش کر دی گئی تھیں تاہم یہ مشاہدہ غیر ضروری ہے۔

کارپوریٹ سماجی ذمہ داریاں:

کمپنی کے تحلیل ہونے کی وجہ سے مذکورہ بالا معلومات کو ان اکاؤنٹس میں نظر انداز کر دیا گیا ہے۔

شیر ہولڈنگ کا انداز

شیر ہولڈنگ کا انداز 30 جون 2017 پر بشمول معلومات کوڈ پر کارپوریٹ گورننس کے زیرِ تحت برائے عام اور نان ووٹنگ کیہولڈیو پرفینس شیر منسلک ہے۔

بورڈ آف ڈائریکٹرز اور انکے اجلاس:

کمپنی کے تحلیل ہونے کی وجہ سے ڈائریکٹران کے اختیارات کمینیز ایکٹ 2017 کے سیکشن 365 کے تحت ختم ہو گئے تھے اس لئے کوئی اجلاس نہیں ہوا۔

آڈٹ کمیٹی:

کمپنی کے تحلیل ہونے کی وجہ سے آڈٹ کمیٹی غیر فعال تھی۔

کارپوریٹ گورننس:

کمپنی کے تحلیل ہونے کی وجہ سے کارپوریٹ گورننس کے ضابطے کی دفعات لاگو نہیں تھی۔

تسلیم و تحسین:

بورڈ آف ڈائریکٹرز اس بات کی ستائش کو ریکارڈ پر لاتے ہیں جو تعاون شیر ہولڈرز گورنمنٹ ایجنسیز اور مالیاتی اداروں کی طرف سے دیا گیا۔

بورڈ آف ڈائریکٹرز کی جانب سے:

میاں محمد لطیف

چیف ایگزیکٹو

فیصل آباد

3 جنوری 2022



AUDITORS' REPORT TO THE JOINT LIQUIDATORS

We were engaged to the audit of the annexed balance sheet of **Chenab Limited – In winding up under the orders of the Honourable Lahore High Court** (The Company) as at 30 June 2017 and the related profit & 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.

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

We 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. In view of liquidation proceeding the audit report would be prepared, so far as the circumstances would permit in accordance with the provisions of the Companies Ordinance, 1984, on the financial statements prepared by the management. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) The financial statements have been prepared on going concern basis as described in Note 1.3. The Company incurred a net loss of Rs. 992.228 million for the year ended June 30, 2017. As at June 30, 2017 its accumulated loss is Rs. 9,100.280 million, shareholders' equity is negative by Rs. 6,547.438 million and the Company's current liabilities exceed its current assets by Rs. 8,312.665 million. The management is also facing difficulties in making payment to its creditors. 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. Further on 13 July 2017 the Lahore High Court ordered to wind up the company under the provision of the Companies Ordinance, 1984 and appointed joint official liquidators of Chenab Limited. Under these circumstances, 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) We did not receive any response to our letters requesting for confirmations of balances outstanding on account of Long Term Financing and Short Term Borrowing amounting to Rs. 2,468.080 million and Rs. 2,099.174 million respectively, Interest/Mark-up Payable on Long term Financing and Short Term Borrowings amounting to Rs. 288.954 million and Rs. 429.019 million respectively and Bank Balances amounting to Rs. 9.444 million. Further banks confirmed borrowing facilities (short term and long term) and mark-up thereon amounting to Rs. 4,432.639 million whereas in financial

statements Rs. 2,412.207 million has been recorded. 27 Confirmations from banks were not received directly but were provided by the management vide their letter no. CL/328/19 dated 22 June 2019 and furthermore, some of the Repayment schedules provided are by the management and not certified by the banks. Therefore, relevant figures relating to these balances could not be substantiated;

- (c) We have received 6 out of 12 confirmations from Legal Advisors and tax consultants, with 2 not addressed to us, due to incomplete information regarding pending litigations and contingencies as on 30 June 2017; moreover amount of guarantees of Rs. 26.131 million remained unconfirmed whereas confirmation received for a bank guarantee of Rs. 7.136 million has not been included in the amount disclosed therefore reliability of disclosure given in note 14 (Contingencies and Commitments) could not be confirmed;
- (d) The Company has not conducted impairment testing of its property plant and equipment which constitute a departure from International Financial Reporting Standards. Any impact of the same on assets, liabilities and on profit and loss account of the Company is not determined;
- (e) The Company is not providing for mark-up 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 mark-up [Refer Note 14 (Contingencies and commitments) and 30 (Finance Cost) to the financial statements]. The impact of which has not been determined due to non-availability of sufficient appropriate audit evidence. Finance cost amounting to Rs. 137.137 million, as disclosed in note 30, is also not supported by the appropriate supporting evidences;
- (f) We were appointed as auditors of the company after the end of the year and thus did not observe the counting of the physical inventories at the end of the year. Management could not arrange for us to observe the physical verification of Stock in Trade and Stores, Spare parts and Loose Tools amounting to Rs. 32.775 million (note 18) and Rs. 67.365 million (note 17) respectively, at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory held at 30 June 2017. Since closing inventories enter determination of state of the company's affairs, financial performance and cash flows, we were unable to determine whether any adjustments might have been necessary in respect of the company's financial statements for the year ended on 30 June 2017;

Stock in trade is overvalued as sample evidences provided to evaluate the Net Realizable Value (NRV) showing NRV lower than their costs. Due to non-availability of NRV of complete stock we were unable to ascertain amount of overvaluation of the closing stock;

Store in transit included in Stores, Spare parts and Loose Tools amounting to US\$ 39,600 (calculated @ 86.83 equal to Rs. 3,438,574/-) is outstanding since 2010. The recovery of the amount appears to be doubtful and has not been provided in financial statements;



- (g) Purchases and Consumption of stock in trade amounting to Rs. 1,010.347 million and Rs. 1,093.367 million respectively, as disclosed in note 26.1.1, could not be substantiated due to lack of appropriate supporting evidences;
- (h) During the year stores, spare parts and loose tools amounting to Rs. 365.335 million were sold only for Rs. 44.538 million for which supporting evidence justifying the massive reduction of 88% in value for the transaction was not made available to auditors due to which loss of Rs. 320.796 million, as disclosed in note 26.1.2, remained unverified;
- (i) Nature of directors' loan & associates, as disclosed in note 8.4 & 8.6, seems to be same, but directors' loan is recorded at historical cost and whereas loan from associates is stated to be recorded at amortised cost. The reason for difference in treatment is not explained. Further appropriate workings of calculations for amortized cost was not available.

The related Deferred Revenue amounting to Rs. 10.315 million, as stated on balance sheet, could not be substantiated due to lack of appropriate evidences.

In view of lack of evidence, it could not be established that workings and disclosures are in line with IAS – 39 and Technical Release 32 of ICAP;

- (j) Liabilities against assets subject to finance lease amounting to Rs. 30.335 million and mark up payable on them amounting to Rs. 7.409 million, as per note 9 & 12 respectively, could not be verified due to non-availability of proper lease agreement and/or any other appropriate evidences;
- (k) Working of provision for taxation and deferred tax duly verified by tax advisor is not provided to us due to which the accuracy of the amounts could not be substantiated;
- (l) Trade debts of Rs. 1,682.321 million, as disclosed in note 37.2.1, including Rs. 1,669.682 million receivables from foreign parties, are past due. These past due trade debts appear to be impaired but no provision in respect of doubtful debts has been made in the financial statements. The quantum of provision required has not been determined and, therefore, its impact on results for the year and equity could not be quantified. Further State Bank of Pakistan (SBP) has also issued show cause notices on failure to collect proceeds against exports which may results in penalty upto five times of the value of goods, this fact is not disclosed in financial statements;
- (m) Balances confirmations of major foreign parties were not circularized by the management due to non-availability of email addresses and management did not allow communication in hard form; and
- (n) Mark up payable to Bank Islami Pakistan Limited amounting to Rs. 43.997 million has been reversed in financial statements which was in contradiction of settlement agreement. Moreover, no justification was provided to us regarding adjustment made in mark up payable amounting to Rs. 1.02 million. These amounts have not been separately disclosed in financial statements.





We do not express an opinion on the accompanying financial statements of the Company, in view of the significance of the matters described in aforementioned paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Other Matters:

The financial statements for the year ended 30 June 2016 were audited by another firm of chartered accountants who issued audit report dated 10 October 2016. The aforesaid auditor's report expressed an adverse opinion.

A handwritten signature in cursive script, appearing to read 'Rashid', written in black ink.

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
Engagement Partner: Rashid Rahman Mir
LAHORE: 11 7 JUL 2019

BALANCE SHEET
AS AT JUNE 30, 2017
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

	Note	2017 Rupees	2016 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	(9,023,847,363)	(8,065,304,934)
		(6,547,437,611)	(5,588,895,182)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	5,761,095,295	5,198,671,152
NON-CURRENT LIABILITIES			
Long term financing	8	2,708,314,404	2,344,586,556
Liabilities against assets subject to finance lease	9	-	9,396,234
Deferred liabilities	10	953,382,223	908,779,724
Deferred revenue		10,314,720	7,263,530
		3,672,011,347	3,270,026,044
CURRENT LIABILITIES			
Trade and other payables	11	1,925,756,401	1,673,383,761
Interest / markup payable	12	1,187,067,622	1,158,212,870
Short term bank borrowings	13	4,342,498,926	4,988,748,313
Current portion of :			
Long term financing	8	2,754,542,792	2,734,086,182
Liabilities against assets subject to finance lease	9	30,335,007	22,977,906
Provision for taxation - income tax		21,162,754	10,473,466
		10,261,363,502	10,587,882,498
CONTINGENCIES AND COMMITMENTS	14		
		13,147,032,533	13,467,684,512

The annexed notes from 1 to 40 form an integral part of these financial statements.



MUHAMMAD NAEEM
(DIRECTOR)

	Note	2017 Rupees	2016 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	11,185,697,330	10,848,915,539
Operating assets		12,636,768	12,636,768
Long term deposits	16	11,198,334,098	10,861,552,307
CURRENT ASSETS			
Stores, spares and loose tools	17	67,364,712	422,273,351
Stock in trade	18	32,775,124	334,657,862
Trade debts	19	1,705,648,751	1,706,118,676
Loans and advances	20	41,166,291	41,974,099
Deposits and prepayments	21	12,618,185	12,495,014
Other receivables	22	27,503,488	28,781,403
Tax refunds due from Government	23	33,199,811	35,600,176
Cash and bank balances	24	28,422,073	24,231,624
		1,948,698,435	2,606,132,205
		<u>13,147,032,533</u>	<u>13,467,684,512</u>

CHIEF EXECUTIVE OFFICER



MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)**

	Note	2017 Rupees	2016 Rupees
Sales	25	1,764,452,242	2,007,632,402
Cost of sales	26	(2,493,140,675)	(2,259,157,207)
Gross loss		(728,688,433)	(251,524,805)
Operating Expenses			
Selling and distribution expenses	27	(12,761,833)	(19,031,070)
Administrative expenses	28	(127,462,763)	(132,731,610)
		(140,224,596)	(151,762,680)
Operating Loss		(868,913,029)	(403,287,485)
Other income	29	35,374,118	152,323,470
Finance cost	30	(137,136,592)	(128,265,826)
Loss before taxation		(970,675,503)	(379,229,841)
Provision for taxation	31	(21,552,801)	(10,473,466)
Loss for the year		(992,228,304)	(389,703,307)
Earnings per share- Basic and diluted	32	(8.63)	(3.39)

The annexed notes from 1 to 40 form an integral part of these financial statements.



**MUHAMMAD NAEEM
(DIRECTOR)**



**MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)**


Note:


- These financial statements relate to the liquidation period audit under the supervision of joint Official Liquidators appointed by the Honourable Lahore High Court Lahore.
- Consequent upon reversal of winding up order dated 29/10/2021 issued by the Honourable Lahore High Court Lahore the Board has adopted these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)**

	Note	2017 Rupees	2016 Rupees
Loss for the year		(992,228,304)	(389,703,307)
Other comprehensive income for the year			
Items that may be subsequently reclassified to profit or loss		-	-
Items that will not be subsequently reclassified to profit or loss:			
Incremental depreciation on revalued assets for the year - net of deferred tax	7	22,671,239	23,510,989
Related deferred tax		4,675,834	5,164,015
Remeasurement of defined benefit liability		7,646,150	20,812,395
Related deferred tax		(1,307,348)	(3,748,056)
		33,685,875	45,739,343
Total comprehensive loss for the year		<u>(958,542,429)</u>	<u>(343,963,964)</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.


MUHAMMAD NAEEM
(DIRECTOR)


MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Note:

- i) These financial statements relates to the liquidation period audit under the supervision of joint Official Liquidators appointe by the Honourable Lahore High court Lahore
- ii) Consequent upon revelal of winding up order dated 29/10/2021 issued by the Honourable Lahore High court Lahore the Board has adopted these financial Statments

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)**

	2017 Rupees	2016 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(970,675,503)	(379,229,841)
Adjustments for:		
Depreciation on operating assets	202,956,377	207,226,737
Provision for staff retirement gratuity	39,793,065	40,515,842
Gain on disposal of operating assets	(363,168)	(193,603)
Finance cost	137,136,592	128,265,826
Balances written back - net	(19,164,794)	(139,757,726)
Operating cash flows before working capital changes	(610,317,431)	(143,172,765)
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	354,908,639	2,429,645
Stock in trade	301,882,738	110,712,312
Trade debts	469,925	7,418,097
Loans and advances	4,359,302	5,727,958
Deposits and prepayments	(123,171)	170,121
Other receivables	(8,722,085)	(4,051,182)
Tax refunds due from Government	(1,869,800)	2,809,051
	650,905,548	125,216,002
Increase in current liabilities		
Trade and other payables	229,647,509	536,544,875
	880,553,057	661,760,877
Cash generated from operations	270,235,626	518,588,111
Income tax paid	(11,582,184)	(13,137,611)
Finance cost paid	(20,580,625)	(56,349,591)
Staff retirement gratuity paid	(7,586,887)	(8,494,945)
Net cash generated from operating activities	230,485,930	440,605,964
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in operating assets	-	(3,862,193)
Proceeds from disposal of operating assets	600,000	380,000
Net cash generated from / (used in) investing activities	600,000	(3,482,193)

	2017 Rupees	2016 Rupees
c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	22,690,000	-
Repayment of :		
Long term financing	(185,000,000)	(335,883,761)
Liabilities against assets subject to finance lease	(2,039,132)	-
(Decrease) in short term bank borrowings - net	(62,546,349)	(104,309,326)
Net cash used in financing activities	<u>(226,895,481)</u>	<u>(440,193,087)</u>
Net (decrease) in cash and cash equivalents (a+b+c)	4,190,449	(3,069,316)
Cash and cash equivalents at the beginning of the year	24,231,624	27,300,940
Cash and cash equivalents at the end of the year	<u>28,422,073</u>	<u>24,231,624</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



**MUHAMMAD NAEEM
(DIRECTOR)**



**MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)**

Note:

- i) These financial statements relates to the liquidation period audit under the supervision of joint Official Liquidators appointe by the Honourable Lahore High court Lahore
- ii) Consequent upon revelal of winding up order dated 29/10/2021 issued by the Honourable Lahore High court Lahore the Board has adopted these financial Statments

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

	Capital reserves					Revenue reserves				Total
	Issued, subscribed and paid up capital	Cumulative preference shares	Premium on issue of ordinary shares	Book difference of capital under scheme of arrangement for amalgamation	Preference shares redemption reserve	Sub total	General reserve	Accumulated loss	Sub total	
R u p e e s										
Balance as at July 01 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)
Total comprehensive (loss) for the year										
(Loss) for the year	-	-	-	-	-	-	-	(389,703,307)	(389,703,307)	(389,703,307)
Other comprehensive income										
Items that may be subsequently reclassified to profit or loss:										
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the year	-	-	-	-	-	-	-	23,510,989	23,510,989	23,510,989
Related deferred tax	-	-	-	-	-	-	-	5,164,015	5,164,015	5,164,015
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	20,812,395	20,812,395	20,812,395
Related deferred tax	-	-	-	-	-	-	-	(3,748,056)	(3,748,056)	(3,748,056)
Balance as at June 30, 2016	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(8,141,737,768)	(8,065,304,934)	(5,588,895,182)
Total comprehensive (loss) for the year										
(Loss) for the year	-	-	-	-	-	-	-	(992,228,304)	(992,228,304)	(992,228,304)
Other comprehensive income										
Items that may be subsequently reclassified to profit or loss:										
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the year	-	-	-	-	-	-	-	22,671,239	22,671,239	22,671,239
Related deferred tax	-	-	-	-	-	-	-	4,675,834	4,675,834	4,675,834
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	7,646,150	7,646,150	7,646,150
Related deferred tax	-	-	-	-	-	-	-	(1,307,348)	(1,307,348)	(1,307,348)
Balance as at June 30, 2017	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(9,100,280,197)	(9,023,847,363)	(6,547,437,611)

The annexed notes from 1 to 40 form an integral part of these financial statements.



MUHAMMAD NAEEM
(DIRECTOR)



MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Note:

- i) These financial statements relate to the liquidation period audit under the supervision of joint Official Liquidators appointed by the Honourable Lahore High Court Lahore
- ii) Consequent upon reversal of winding up order dated 29/10/2021 issued by the Honourable Lahore High Court Lahore the Board has adopted these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)**

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 Pakistan 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 Sheikhpura Road, Khurrianwala, District Faisalabad, Jhumra Road, Gatti, District Faisalabad, Sheikhpura Road, Khurrianwala, District Sheikhpura 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 net losses of Rs.992.228 million. As at June 30, 2017 the accumulated loss of the Company is Rs.9,100.280 million and the current liabilities exceed its current assets by Rs. 8,312.665 million. The Company has not redeemed preference shares on exercise of put options for three 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. SECP has initiated proceedings for investigations under the Companies Ordinance, 1984. The company has challenged the order and the Honourable Islamabad High Court has stayed the proceedings. 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 all lenders are not so far fully materialised, however the management has been able to reach at agreement with five major lenders to restructure the loans. The facilities diminishing musharika, term finance, murabah finance and demand finance were settled. Certain short term facilities were converted to long term loans. The management is hopeful that arrangements with other lenders will also materialise in due course. The management is vigorously pursuing the recovery of old outstanding debts and has also adopted the available legal recourse. The management's efforts to dispose of certain non core fixed assets to meet the working capital requirements has not been materialised so far due to adverse economic conditions.

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. The company could not produce desired results due to operational difficulties mainly due to non-availability of working capital facilities. Due to low production, 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 slow settlements with bankers. The management is negotiating with banks for working capital facilities. 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.

SIGNIFICANT ACCOUNTING POLICIES

2. 2.1 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 23/2017 dated October 4, 2017 communicated that the companies whose financial year closes after December 31, 2017 shall prepare financial statements in accordance with the provisions of the Companies Act, 2017.

Hence, these financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

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

2.2.1 Adoption of International Financial Reporting Standards that are effective and applicable to the Company

Following standards, amendments to standards and interpretations including amendments to interpretations become effective during the year. However, the applications of these amendments and interpretations did not have any material effect on the Company's financial statements.

IFRS 5	Non Current Assets Held for Sale and Discontinued Operations (Amended)
IFRS 7	Financial Instruments: Disclosures (Amended)
IFRS 10	Consolidated Financial Statements (Amended)
IFRS 11	Joint Arrangements (Amended)
IFRS 12	Disclosure of Interests in Other Entities (Amended)
IAS 1	Presentation of Financial Statements (Amended)
IAS 16	Property, Plant and Equipment - (Amended)
IAS 19	Employee Benefits (Amended)
IAS 27	Separate Financial Statements (Amended)
IAS 28	Investment in Associates (Amended)
IAS 34	Interim Financial Reporting (Amended)
IAS 38	Intangible Assets- (Amended)
IAS 41	Agriculture (Amended)

2.2.2 Standards, interpretations and amendments to the published approved accounting standards not yet effective:

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard/Interpretation		IASB effective date (annual periods beginning on or after)
IFRS 2	Share-based Payments - (Amendments) Amendments to clarify the classification and measurement of share-based payment transactions.	1 January 2018
IFRS 10, IAS 28	IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 28	IAS 28 Investments in Associates and Joint Ventures (Amendments)	1 January 2018
IFRS 12	IFRS 10 Disclosure of Interests in Other Entities (Amendments)	1 January 2017
IFRS 4	IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	1 January 2018
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	1 January 2018
IAS 7	Statement of Cash Flows (Amendments) Amendments resulting from disclosure initiative	1 January 2017
IAS 12	Income Taxes (Amendments) Amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IAS 39	Financial Instruments : Recognition and Measurement - (Amendments)	1 January 2019

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

2.2.3 Standards issued by IASB but not applicable in Pakistan

Following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. The Company expects that these improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Standard	IASB effective date (annual periods beginning
IFRS 1 First Time Adoption of International Financial Reporting Standards	1 January 2013
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 14 Regulatory Deferral accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021

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

2017 Number of shares	2016 Number of shares		2017 Rupees	2016 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
<u>115,000,000</u>	<u>115,000,000</u>		<u>1,150,000,000</u>	<u>1,150,000,000</u>

4. Cumulative preference shares

2017 Number of shares	2016 Number of shares		2017 Rupees	2016 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 Pakistan 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:

- 75% of market value of shares or
- 75% of book value (break up value) or
- face value of shares

The date 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 and Appellate bench being out of domain of Companies Ordinance 1984. SECP has initiated proceeding in the court of district and session judge at Karachi alleging trading activities of shares of the company in the manner prohibited under section 17 of Securities and Exchange Ordinance 1969. Since the subject matter of value for conversion of preference shares into ordinary shares is subjudice, the management will issue new ordinary shares on the disposal of the case filed by SECP. The matter of conversion of balance 5,095,500 cumulative preference shares is also pending till the resolution of matter in the court.

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.

4.5 The company has executed agreement with a banking company to buy back cumulative preference shares amounting to Rs. 100 million. The company will pay purchase consideration in installments commencing from year 2023.

5. Capital reserves

	Note	2017 Rupees	2016 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
		<u>526,409,752</u>	<u>526,409,752</u>

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.

	Note	2017 Rupees	2016 Rupees
6. Revenue reserves			
General reserve		76,432,834	76,432,834
(Accumulated loss)			
Opening balance		(8,141,737,768)	(7,797,773,804)
Total comprehensive loss for the year		(958,542,429)	(343,963,964)
		(9,100,280,197)	(8,141,737,768)
		(9,023,847,363)	(8,065,304,934)
7. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Opening balance		5,198,671,152	5,170,726,642
Surplus arisen on revaluation carried out during the year		539,975,000	-
Incremental depreciation on revalued assets for the year		(22,671,239)	(23,510,989)
Deferred tax reversed on surplus	10.2	45,120,382	51,455,499
		5,761,095,295	5,198,671,152

7.1 Freehold land was revalued by M/S Protectors as on 30 September 2016 on the basis of market values and was incorporated in financial statements for the second quarter ended on December 31, 2016 which was notified by the board in board meeting of February 27, 2017. However valuation of other assets was not carried out as significant variation in value was not expected.

Previously such revaluation of freehold land, Building on freehold land, plant and machinery, electronic installations and generators were carried at on the basis of market values, by independent valuer "Protectors" on June 30, 2015.

	Note	2017 Rupees	2016 Rupees
8. Long term financing			
Secured			
Under mark up arrangements			
From banking companies			
Fixed assets finance	8.1	239,227,233	239,227,233
Demand finances	8.1	1,305,200,000	1,310,500,000
Term finances	8.1	2,690,553,038	2,300,564,000
Long term finance	8.1	157,245,796	157,245,796
From financial institutions			
Term finances	8.1	560,260,533	560,260,533
Long term finances	8.1	78,791,139	78,434,529
Not subject to mark up			
From financial institutions			
Term finance IX	8.2	58,351,091	58,351,091
Term finance XI	8.3	74,000,000	74,000,000
		5,163,628,830	4,778,583,182
Less : Current portion			
Installments over due		2,604,042,792	2,526,130,353
Payable within one year		150,500,000	207,955,829
		2,754,542,792	2,734,086,182
		2,409,086,038	2,044,497,000
Unsecured from			
Directors	8.4	244,313,086	264,813,086
Associates	8.6	54,915,280	35,276,470
		2,708,314,404	2,344,586,556

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.:
Demand finances						
III	65,000,000	15	Quarterly	26-Jun-10	26-Dec-13	3 Months KIBOR + 1.5% p.
IV	146,000,000	10	Half yearly	30-Sep-10	31-Mar-15	6 Months KIBOR + 0.5% p.:
VII	1,094,200,000	(Refer Note 8.1.1)				
	1,305,200,000					

Nature of loans	Balance Rupees	Number of installments	Payment rests	Commencement date	Ending date	Markup rate
Term finances						
III	106,250,000	60	Monthly	01-Nov-09	01-Oct-14	1 Month KIBOR + 0.5% p.a
IV	462,852,000	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%
X	490,865,000	(Refer Note 8.1.2)				
XI	848,497,000	(Refer Note 8.1.3)				
XII	531,089,038	(Refer Note 8.1.4)				
	2,690,553,038					
Long term finances						
IV	65,754,250	20	Quarterly	30-Sep-07	30-Jun-13	SBP rate + 2% p.a
VII	40,000,000	4	Half yearly	20-Jun-09	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 M KIBOR + 2.5% p.a
II	93,750,000	60	Monthly	23-Jan-11	23-Dec-15	6 M 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 M 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 M KIBOR + 3% p.a
V	48,537,616	12	Quarterly	29-Jul-11	29-Apr-14	3 M KIBOR + 2.5% p.a
VI	17,578,125	16	Quarterly	29-Apr-09	29-Jan-13	6 M KIBOR + 3% p.a
VII	14,978,125	16	Quarterly	29-Apr-09	29-Jan-13	6 M KIBOR + 3% p.a
	560,260,533					
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	24,737,636	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	7,307,674	13	Quarterly	31-Mar-07	31-Mar-11	SBP rate + 2% p.a
	78,791,139					

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	Balance amount	Commencing from	Ending on
1	20,000,000	14,700,000	30-Sep-15	-
27	20,000,000	540,000,000	31-Dec-15	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	-
<u>41</u>		<u>1,094,200,000</u>		

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 ended on June 01, 2012, Rs. 243.581 million is payable in 54 equal monthly installments commenced from July 01, 2012 and ended on December 01, 2016 and 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.

- 8.1.3** Short term finance of Rs 672.265 million (Refer Note.13), Term Finance II Rs.191.482 million and Term Finance VIII Rs. 118.750 million was converted into long term loan. It is repayable as under;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
8	500,000	4,000,000	31-May-17	31-Dec-17
12	1,000,000	12,000,000	31-Jan-18	31-Dec-18
12	2,000,000	24,000,000	31-Jan-19	31-Dec-19
12	5,000,000	60,000,000	31-Jan-20	31-Dec-20
24	10,000,000	240,000,000	31-Jan-21	31-Dec-22
11	43,160,000	474,760,000	31-Jan-23	30-Nov-23
1	33,737,000	33,737,000	31-Dec-23	-
<u>80</u>		<u>848,497,000</u>		

Outstanding markup of Rs 33.056 million plus interest on outstanding principal calculated at the rate of 50% of the interest rate declared by the State Bank of Pakistan for relevant years is payable in 12 monthly installments starting from 01-01-2024 till 31-12-2024.(Refer Note. 10).

- 8.1.4** Short term finance of Rs 549.089 million (Refer Note.13) was converted into long term loan during the year. Outstanding amount is repayable as under;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
5	1,000,000	5,000,000	31-Dec-16	30-Apr-17
6	5,500,000	33,000,000	31-May-17	30-Nov-17
12	4,000,000	48,000,000	31-Dec-17	30-Nov-18
12	5,000,000	60,000,000	31-Dec-18	30-Nov-19
12	6,000,000	72,000,000	31-Dec-19	30-Nov-20
12	7,000,000	84,000,000	31-Dec-20	30-Nov-21
12	9,000,000	108,000,000	31-Dec-21	30-Nov-22
11	10,000,000	110,000,000	31-Dec-22	31-Oct-23
1	11,089,000	11,089,000	30-Nov-23	-
<u>83</u>		<u>531,089,000</u>		

- 8.2** 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 ended on June 01, 2011. It is not subject to mark up. The securities are disclosed in Note 8.1.

- 8.3** It is payable in 47 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	-
<u>47</u>		<u>74,000,000</u>		

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

- 8.4** These are interest free. Directors' loan of Rs. 196.617 million (2016: 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. The loans are stated at cost as there is no likelihood of repayment of these loans during the year.

- 8.5** Terms and conditions of all above loans have been extracted from old facility letters / setlement agreements as updated documentation is not available due to pending disputes with the banks

- 8.6** These are interest free. These loans are recognised at amortised cost. Loans amounting to Rs 37.58 million (2016: Rs. 15.34 million) are repayable in lump sum after June 30,2020 and loans amounting Rs 27.65, million (2016: Rs. 27.19) 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 June 30, 2020 and 9.25% for loans payable on June 30, 2017, the fair value of these loans is estimated at Rs. 54.91 million (2016: Rs 35.28 million). The difference of Rs. 10.31 million (2016: Rs 7.26 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.

	Note	2017 Rupees	2016 Rupees
9. Liabilities against assets subject to finance lease			
Opening balance		32,374,140	32,374,140
Paid / adjusted during the year		(2,039,133)	-
	9.2	30,335,007	32,374,140
Shown under current liabilities			
Installments over due		(20,938,773)	(13,377,906)
Payable within one year		(9,396,234)	(9,600,000)
		(30,335,007)	(22,977,906)
		-	9,396,234

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

9.2 The principal plus financial charges are payable over the lease period in monthly and half yearly installments. The liability represents the total minimum lease payments discounted at 11.27% to 17.13% per annum (2016 : 11.85% to 18.18% 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,

2016	-	-
2017	-	27,084,128
2018	37,523,093	10,004,275
	37,523,093	37,088,403
Financial charges		
Payable	(4,584,320)	(4,106,221)
Allocated to future periods	(2,603,766)	(608,042)
	(7,188,086)	(4,714,263)
	30,335,007	32,374,140

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

	2017		2016	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	Rupees			
Due within one year	37,523,093	30,335,007	27,084,128	22,977,906
Due after one year but not later than five years	-	-	10,004,275	9,396,234
	37,523,093	30,335,007	37,088,403	32,374,140

10. Deferred liabilities

Staff retirement gratuity	10.1	140,008,365	124,371,905
Deferred taxation	10.2	-	48,488,868
Deferred mark up on:			
Demand finance VII	8.1.1	550,243,219	500,761,370
Term finance X	8.1.2	168,535,129	168,535,129
Liabilities against assets subject to finance lease	9.2	16,823,258	18,818,983
Term finance XI	8.1.3	77,772,252	47,803,469
		813,373,858	735,918,951
		953,382,223	908,779,724

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, 2017.

	Note	2017 Rupees	2016 Rupees
10.1.2 Balance sheet reconciliation as at June 30,			
Present value of defined benefit obligation		140,008,365	124,371,905
10.1.3 Movement in net liability recognized			
Opening balance		124,371,905	132,536,533
Charge for the year	10.1.4	39,793,065	40,515,842
Paid / adjusted during the year		(7,586,887)	(8,494,945)
Benefits payable		(8,923,568)	(19,373,130)
Remeasurement of obligation		(7,646,150)	(20,812,395)
Balance at June 30,		140,008,365	124,371,905

10.1.4 Charge for the year			
Service cost		31,051,126	28,952,099
Interest cost		8,741,939	11,563,743
		<u>39,793,065</u>	<u>40,515,842</u>
10.1.5 Principal actuarial assumptions			
Discount factor used		7.25% Per annum	7.25% Per annum
Expected rate of increase in salaries		7.25% Per annum	7.25% 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:		
		Reworked defined benefit obligation	
		Change in assumptions	Increase in assumptions
		Decrease in assumptions	
	Discount rate	100 bps	124,427,900
	Salary increase rate	100 bps	142,315,222
			141,763,379
			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.		
10.2 Deferred taxation		2017	2016
Opening balance		48,488,868	101,360,326
(Reversed) during the year on surplus		(45,120,382)	(51,455,499)
Deferred tax related to incremental depreciation transferred to unappropriated profit		(4,675,834)	(5,164,015)
Deferred tax related to remeasurement of staff retirement gratuity		1,307,348	3,748,056
	10.2.1	-	<u>48,488,868</u>
10.2.1 It comprises of the followings:			
Deferred tax liability :			
Difference in tax and accounting bases of property, plant and equipment		1,050,825,072	1,078,894,262
Deferred tax assets :			
Unadjusted tax losses		(1,159,261,784)	(1,002,177,361)
Staff retirement gratuity		(23,938,794)	(22,397,849)
Lease liability		(5,186,715)	(5,830,184)
Unrecognised Deferred Tax Asset		137,562,221	
		-	<u>48,488,868</u>
10.2.1.1	In absence of future taxable profits projections, amount of Rs. 137.562 million (2016: Rs. Nil) has not been recognized as deferred tax asset.		
	Note	2017 Rupees	2016 Rupees
11. Trade and other payables			
Creditors		1,021,456,896	950,947,291
Accrued liabilities		101,547,728	95,346,383
Advance from customers		367,598,038	191,847,517
Security deposit		432,000,000	432,000,000
Unclaimed dividend		366,071	366,071
Other		2,787,668	2,876,499
		<u>1,925,756,401</u>	<u>1,673,383,761</u>
12. Interest / markup payable			
Interest / mark up payable on:			
Long term financing		492,641,849	492,641,849
Liabilities against assets subject to finance lease		7,408,909	3,636,822
Short term bank borrowings		687,016,864	661,934,199
		<u>1,187,067,622</u>	<u>1,158,212,870</u>
13. Short term bank borrowings			
Secured			
Under mark up arrangements			
Export finances	13.2	3,669,073,443	4,329,016,481
Finance against trust receipts	13.2	18,304,000	18,304,000
Running finance	13.2	437,588,483	437,588,483
Murabaha finances	13.3	217,533,000	203,839,349
		<u>4,342,498,926</u>	<u>4,988,748,313</u>
13.1	The aggregate unavailed short term borrowing facilities available to the Company are nil (2016: Rs. 177.402 million). Total sanctioned limits are Rs. 5.17 billion (2016: Rs. 5.62 billion) out of which limits of Rs. 5.17 billion (2016: Rs 4.99 billion) are expired and renewable.		

13.2 These are secured against first charge over current assets of the Company, 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. Certain export and running finances are further secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term financing (Refer Note 8.1) and murabaha finances (Refer Note 13.3). Export finances of Rs. 374.13 million (2016: 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 were 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 during previous year. Mark up charged on these loans during the year ranges from 6.68% to 10.28% per annum (2016: 4% to 10.99% per annum).

13.3 These are secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term financing (Refer Note 8.1) and export and running finances (Refer Note 13.2). These are further secured by personal guarantee of directors of the Company. Un-expired loans were subject to mark up at the rate of six months KIBOR plus 1% per annum and KIBOR plus 2% per annum during previous year. Mark up charged on these loans during the year ranges from 7.04% to 9.07% per annum (2016: 7.08% to 7.38% per annum).

14. CONTINGENCIES AND COMMITMENTS	2017 Rupees	2016 Rupees
Contingencies		
In respect of bank guarantees issued on behalf of the Company		
Sui Northern Gas Pipelines Limited for supply of gas	26,131,300	33,416,900
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	-	738,213
Demands of Employees' Old Age Benefits Institution and Punjab Employees' Social Security Institution are not acknowledged in view of pending litigation	37,018,122	37,018,122
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.	1,021,686,391	1,021,686,391
Liability of Gas Infrastructure development cess not acknowledged in view of pending petitions	19,019,198	19,019,198
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.	-	-
Commitments		
There was no commitments as on 30 June 2017 (2016: Nil)		

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, 2017 and 2016 would have been as follows:

2017			
Description	Cost	Accumulated depreciation	Written down value
----- Rupees -----			
Freehold land	88,714,638	-	88,714,638
Building on freehold land	2,113,125,299	925,125,663	1,187,999,636
Plant and machinery	5,626,624,731	1,953,402,922	3,673,221,809
Electric installations	304,777,663	154,537,845	150,239,818
Generators	245,077,888	153,637,826	91,440,062
	<u>8,378,320,219</u>	<u>3,186,704,256</u>	<u>5,191,615,963</u>

2016			
Description	Cost	Accumulated depreciation	Written down value
----- Rupees -----			
Freehold land	88,714,638	-	88,714,638
Building on freehold land	2,113,125,299	875,625,678	1,237,499,621
Plant and machinery	5,626,624,731	1,855,683,129	3,770,941,602
Electric installations	304,777,663	142,346,738	162,430,925
Generators	245,077,888	148,825,191	96,252,697
	<u>8,378,320,219</u>	<u>3,022,480,736</u>	<u>5,355,839,483</u>

15.3 Detail of disposals of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
----- Rupees -----					
Vehicles (By negotiation)	1,577,487	1,370,980	206,507	400,000	Faisal Akram H # P-23, Street # 5, Block Z, Muhallah Madina Town Faisalabad.
	116,700	109,588	7,112	50,000	Mehboob Alam House no. p-1131 street no.3 main bazar, nishatabad Faisalabad.
	609,000	585,787	23,213	150,000	Muhammad Ramzan Chak no. 94/R.B. Atti, Tehsil, jaranwala, District Faisalabad
	<u>2,303,187</u>	<u>2,066,355</u>	<u>236,832</u>	<u>600,000</u>	
2017	<u>2,303,187</u>	<u>2,066,355</u>	<u>236,832</u>	<u>600,000</u>	
2016	<u>964,400</u>	<u>778,003</u>	<u>186,397</u>	<u>380,000</u>	

	Note	2017 Rupees	2016 Rupees
16. Long term deposits			
Lease key money		3,311,898	3,311,898
Security deposits		12,636,768	12,636,768
		15,948,666	15,948,666
Less: Current portion - Lease key money		3,311,898	3,311,898
		12,636,768	12,636,768
17. Stores, spares and loose tools			
Stores		56,081,654	399,677,004
Spares		11,283,058	22,595,317
Loose tools		-	1,030
		67,364,712	422,273,351
18. Stock in trade			
Raw material		8,099,205	91,118,913
Work in process		6,462,587	110,851,081
Finished goods		18,079,178	130,814,399
Waste		134,154	1,873,469
		32,775,124	334,657,862
18.1	Stock in trade Nil (2016: Rs. Nil) is at net realizable value.		
19. Trade debts			
Considered good			
Secured			
Foreign		7,485,243	7,236,655
Unsecured			
Foreign		1,668,088,376	1,656,551,224
Local		30,075,132	42,330,797
		1,698,163,508	1,698,882,021
		1,705,648,751	1,706,118,676
20. Loans and advances			
Considered good			
Loans to employees			
Executives		-	265,000
Others		868,365	482,249
Advances			
Suppliers / contractors		23,608,821	28,089,239
Income tax		16,689,105	13,137,611
		41,166,291	41,974,099
21. Deposits and prepayments			
Deposits			
Security deposits		1,292,858	1,292,858
Current portion of long term deposits	16	3,311,898	3,311,898
Guarantee / export margin		7,644,616	7,644,616
Prepayments		368,813	245,642
		12,618,185	12,495,014
22. Other receivables			
Export rebate / duty drawback		25,054,636	26,332,551
Excise duty		2,448,852	2,448,852
		27,503,488	28,781,403
23. Tax refunds due from Government			
Sales tax		18,892,432	17,022,632
Income tax		14,307,379	18,577,544
		33,199,811	35,600,176
24. Cash and bank balances			
Cash in hand		7,739,420	3,836,529
Cash at banks			
In current accounts		20,682,653	20,395,095
		28,422,073	24,231,624

	Note	2017 Rupees	2016 Rupees
25. Sales			
Export			
Fabrics / made ups / garments	25.1	482,977,022	715,948,196
Add: Export rebate / duty drawback		21,022,314	15,026,715
		503,999,336	730,974,911
Less:			
Commission		1,289,605	7,867,527
Discount		-	493,799
		1,289,605	8,361,326
		502,709,731	722,613,585
Local			
Yarn		540,802,124	791,170,873
Fabrics / made ups		373,757,298	252,426,862
Processing, conversion and stitching charges		347,183,089	241,421,082
		1,261,742,511	1,285,018,817
		1,764,452,242	2,007,632,402
25.1	It includes exchange gain of Rs 720,259 /- (2016: Rs. 974,631/-).		
26. Cost of sales			
Cost of goods manufactured	26.1	2,378,666,139	2,220,999,137
Finished goods			
Opening stock		132,687,868	170,845,938
Closing stock		(18,213,332)	(132,687,868)
		114,474,536	38,158,070
Cost of sales		2,493,140,675	2,259,157,207
26.1 Cost of goods manufactured			
Raw material consumed	26.1.1	1,093,366,719	1,177,989,578
Salaries, wages and benefits		216,280,804	231,413,380
Staff retirement benefits		31,834,452	32,412,674
Stores and spares		90,426,683	94,163,226
Dyes and chemicals		39,288,443	39,593,424
Packing material		39,915,495	61,434,252
Repairs and maintenance		3,469,451	5,399,749
Fuel and power		124,097,624	181,136,817
Insurance		2,169,161	2,343,681
Depreciation	15.1	197,649,975	201,624,160
Loss on sale of stores, spare parts and loose tools	26.1.2	320,796,408	-
Other		114,982,430	144,360,049
		2,274,277,645	2,171,870,990
Work in process			
Opening stock		110,851,081	159,979,228
Closing stock		(6,462,587)	(110,851,081)
		104,388,494	49,128,147
		2,378,666,139	2,220,999,137
26.1.1 Raw material consumed			
Opening stock		91,118,913	114,545,008
Purchases including purchase expenses		1,010,347,011	1,154,563,483
		1,101,465,924	1,269,108,491
Closing stock		(8,099,205)	(91,118,913)
		1,093,366,719	1,177,989,578
26.1.2	Value of stores, spare parts and loose tools sold	365,334,904	-
	Sale proceeds	(44,538,496)	-
		320,796,408	-
27. Selling and distribution expenses			
Advertisement and publicity		84,528	84,024
Carriage and freight		4,817,695	8,170,713
Export clearing and forwarding		5,209,586	7,707,325
Export development surcharge		1,255,973	1,468,220
Other		1,394,051	1,600,788
		12,761,833	19,031,070

	Note	2017 Rupees	2016 Rupees
28. Administrative expenses			
Directors' remuneration		3,900,000	3,900,000
Salaries and benefits		68,660,287	65,215,089
Staff retirement benefits		7,958,613	8,103,168
Electricity		686,643	564,635
Postage, telephone and telex		2,923,152	3,552,510
Vehicles running and maintenance		8,414,579	11,212,432
Travelling and conveyance		14,267,555	14,765,933
Printing and stationery		1,506,719	1,984,371
Entertainment		3,645,290	5,564,429
Fees and subscriptions		2,435,554	1,737,695
Legal and professional		4,042,800	7,568,000
Rent, rates and taxes		1,246,142	1,406,790
Auditors' remuneration	28.1	1,064,800	726,000
Repairs and maintenance		1,076,947	551,171
Depreciation	15.1	5,306,402	5,602,577
Insurance		250,796	122,140
Other		76,484	154,670
		<u>127,462,763</u>	<u>132,731,610</u>
28.1 Auditors' remuneration			
Audit fee		840,000	500,000
Half yearly review		184,800	176,000
Out of pocket expenses		40,000	50,000
		<u>1,064,800</u>	<u>726,000</u>

28.1.1 Previous year financial statements and half yearly review for the period ended 31 December 2016 were audited by RSM Avasi Hyder Liaquat Nauman Chartered Accountants.

29. Other income

Income from assets other than financial assets:

Sale of waste material		1,370,265	2,525,453
Rental income		14,475,891	9,846,688
Gain on disposal of operating assets		363,168	193,603
Balances written back - net		19,164,794	139,757,726
		<u>35,374,118</u>	<u>152,323,470</u>

30. Finance cost

Interest / mark up on:

Long term financing	30.1	79,450,632	70,379,162
Liabilities against assets subject to finance lease		1,776,362	2,628,262
Short term bank borrowings	30.1	51,084,245	47,435,788
Bank charges and commission		4,825,353	7,822,614
		<u>137,136,592</u>	<u>128,265,826</u>

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, term finance XI, 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

Current

	Note	2017 Rupees	2016 Rupees
For the year		21,162,754	10,473,466
For prior years		390,047	-
Deferred	31.1	-	-
		<u>21,552,801</u>	<u>10,473,466</u>

31.1 Deferred tax on surplus on revaluation of assets has been provided to the extent of net deferred tax liability after adjustment of deductible 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.

		2017	2016
32. Earnings per share- Basic and diluted			
Loss for the year	Rupees	(992,228,304)	(389,703,307)
Weighted average number of ordinary shares outstanding during the year	Numbers	115,000,000	115,000,000
Earnings per share- Basic and diluted	Rupees	(8.63)	(3.39)

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

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2017			2016		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	----- Rupees -----					
Remuneration	1,600,000	1,000,000	5,870,597	1,600,000	1,000,000	5,746,148
House rent allowance	480,000	300,000	1,893,321	480,000	300,000	1,845,182
Medical allowance	160,000	100,000	587,058	160,000	100,000	574,609
Utility allowance	160,000	100,000	498,894	160,000	100,000	453,281
	2,400,000	1,500,000	8,849,870	2,400,000	1,500,000	8,619,220
Number of persons	1	1	5	1	2	5

33.1 The Chief Executive Officer and Director are entitled to free use of Company maintained vehicles. The monetary value is Rs. 2,298,452/- (2016: Rs. 2,311,499/-). 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	
		2017	2016	2017	2016
Fabrics	Mtrs	9,000,000	9,000,000	730,732	1,550,872
Made ups	Mtrs	59,000,000	59,000,000	525,710	1,294,646
Garments	Mtrs	3,500,000	3,500,000	615,902	691,778

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.

		2017	2016
36. NUMBER OF EMPLOYEES			
Total number of employees as at June 30,		1,804	1,696
Average number of employees for the year		2,035	1,729

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.

	2017 Rupees	2016 Rupees
37.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets:		
Loans and receivables at amortised cost		
Trade debts	1,705,648,751	1,706,118,676
Loans and advances	868,365	747,249
Deposits	25,254,953	25,131,782
Cash and bank balances	28,422,073	24,231,624
	<u>1,760,194,142</u>	<u>1,756,229,331</u>
Financial liabilities:		
Financial liabilities at amortised cost		
Long term financing	5,462,857,196	5,078,672,738
Liabilities against assets subject to finance lease	30,335,007	32,374,140
Trade and other payables	1,126,158,363	1,049,536,244
Interest / markup payable	1,187,067,622	1,158,212,870
Short term bank borrowings	4,342,498,926	4,988,748,313
	<u>12,148,917,114</u>	<u>12,307,544,305</u>

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 72.67% (2016: 72.75%) of the total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2017 Rupees	2016 Rupees
Trade debts	1,705,648,751	1,706,118,676
Loans and advances	868,365	747,249
Deposits	25,254,953	25,131,782
Bank balances	20,682,653	20,395,095
	<u>1,752,454,722</u>	<u>1,752,392,802</u>

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:

	2017 Rupees	2016 Rupees
Alam B.V. Raaigars Holland	428,190,433	428,190,433
C.G.I. Limited U.A.E	807,215,615	810,018,564
Chenone Stores Limited	4,380,000	2,983,875
Other customers	465,862,703	464,925,804
	<u>1,705,648,751</u>	<u>1,706,118,676</u>

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

	2017 Rupees	2016 Rupees
Not past due	23,327,749	175,312,556
Past due within one year	93,627,512	6,292,115
Past due over one year	1,588,693,490	1,524,514,005
	<u>1,682,321,002</u>	<u>1,530,806,120</u>
	<u>1,705,648,751</u>	<u>1,706,118,676</u>

The management is taking measures for the recovery of past due trade debts and continuously pursuing the recovery through negotiations 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, 2017 and 2016;

	2017					
	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	5,462,857	5,888,282	2,681,686	111,941	630,634	2,464,021
Liabilities against assets subject to finance lease	30,335	37,523	31,523	6,000	-	-
Trade and other payables	1,126,158	1,126,158	1,126,158	-	-	-
Short term bank borrowings	4,342,499	4,368,041	4,368,041	-	-	-
Interest / markup payable	2,000,441	2,002,437	1,187,818	169,781	16,823	628,015
	12,962,290	13,422,441	9,395,226	287,722	647,457	3,092,036

	2016					
	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	5,078,673	5,888,282	2,681,686	111,941	630,634	2,464,021
Liabilities against assets subject to finance lease	32,374	37,088	21,708	5,376	10,004	-
Trade and other payables	1,049,536	1,049,536	1,049,536	-	-	-
Short term bank borrowings	4,988,748	5,012,466	5,012,466	-	-	-
Interest / markup payable	1,894,132	1,894,132	1,158,963	169,781	16,823	548,565
	13,043,463	13,881,504	9,924,359	287,098	657,461	3,012,586

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 negotiating 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. 26.990 million (2016: Rs. 20.110 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.1,783.931/- million (2016: Rs. 1,747.806 million).

At June 30, 2017, 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 80.95 million (2016: Rs. 82.60 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 information relating to capital employed by the Company as of June 30, 2017 and 2016 were as follows:

	Note	2017 Rupees	2016 Rupees
Total debt	8, 9 & 13	9,591,378,043	9,834,982,105
Total equity		(6,547,437,611)	(5,588,895,182)
Total capital employed		3,043,940,432	4,246,086,923

37.5 Overdue loans and mark up

On the reporting date, the installments of long term financing amounting to Rs.2,604.043 million (2016:Rs.2,526.130 million) along with mark up of Rs.492.642 million (2016: Rs. 492.642 million), lease finances amounting to Rs.20.939 million (2016: Rs. 13.378 million) along with mark up of Rs.7.409 million (2016: Rs.3.637 million) and short term borrowings amounting to Rs. 4,574.70 million (2016: Rs. 4,666.650 million) along with mark up of Rs.687.017 million (2016: Rs. 661.934 million) were over due.

On reporting date, the carrying amount of loans relevant to above overdues were long term financing Rs. 3,960.020 million (2016: Rs.4,111.717 million), lease finances Rs. 32.374 million (2016: Rs.32.374 million) and short term borrowings Rs. 4,377.113 million (2016: Rs. 4,987.890 million).

The company has executed an agreement with one of the lender to restructure the loans. As per agreement outstanding loan of Rs. 1,242.168 million and markup of Rs. 25.010 million have been rescheduled. 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 other lenders (Refer Note 30.1).

38. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on **17 July 2019**, by the Board of Directors of the Company.

39. DIVIDEND FOR CUMULATIVE PREFERENCE SHARES

The dividend for cumulative preference shares amounting to Rs. 319.309 million (2016: 296.258 million) will be accumulated and payable in the ensuing years when the sufficient amount of profit will be available for appropriation.

40. GENERAL

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



**MUHAMMAD NAEEM
(DIRECTOR)**



**MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)**

Note:

- i) These financial statements relates to the liquidation period audit under the supervision of joint Official Liquidators appointe by the Honourable Lahore High court Lahore
- ii) Consequent upon revesal of winding up order dated 29/10/2021 issued by the Honourable Lahore High court Lahore the Board has adopted these financial Statments

Form 34

Pattern of Holding of Ordinary Shares

Held by Shares Holders as at June 30, 2017

Share Holders	From	To	Total Shares
102	1	100	3,917
476	101	500	225,786
282	501	1,000	278,839
519	1,001	5,000	1,662,497
222	5,001	10,000	1,903,050
74	10,001	15,000	976,000
62	15,001	20,000	1,152,500
51	20,001	25,000	1,231,000
22	25,001	30,000	613,500
17	30,001	35,000	563,000
18	35,001	40,000	699,154
12	40,001	45,000	512,000
22	45,001	50,000	1,089,223
6	50,001	55,000	323,000
5	55,001	60,000	291,004
7	60,001	65,000	441,500
2	65,001	70,000	139,500
2	70,001	75,000	148,000
3	75,001	80,000	234,500
8	80,001	90,000	672,500
19	90,001	100,000	1,872,500
1	100,001	110,000	106,000
3	110,001	125,000	360,500
3	125,001	140,000	390,000
3	140,001	150,000	435,500
3	150,001	170,000	500,500
8	175,001	200,000	1,565,500
3	200,001	250,000	737,000
5	255,001	300,000	1,406,500
5	300,001	400,000	1,730,136
5	400,001	500,000	2,226,500
2	500,001	550,000	1,025,000
2	600,001	700,000	1,330,000
2	700,001	850,000	1,579,500
2	850,001	950,000	1,829,500
1	1,000,001	1,050,000	1,046,500
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	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
1988			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
Mr. Tariq Ayub Khan	Director	1	1,000	0.00
Mst. Shahnaz Latif	Spouse	1	7,459,184	6.49
Mst. Tehmina Yasmin	Spouse	1	285	0.00
Mst. Prveen Akthar	Spouse	1	338	0.00
Mr Umair Javaid	Son	1	1,519	0.00
Financial Institutions, Insurance Companies, Investment Companies, Joint Stock Companies, Leasing Companies, Mutual Fund, Textile & etc.				
Investment Companies		1	25,000	0.02
Joint Stock Companies		16	1,440,395	1.25
Manufacturing & Trading		1	8,000	0.01
Provident Fund		1	10,000	0.01
Textile		1	56	0.00
Individuals		1957	36,926,065	32.11
		1988	115,000,000	100.00

Form 34

Pattern of Holding of Preference Shares

Held by Shares Holders as at June 30,2017

ShareHolders	From	To	Total Shares
41	1	100	1,087
621	101	500	307,630
112	501	1,000	110,387
305	1,001	5,000	933,303
161	5,001	10,000	1,386,650
76	10,001	15,000	1,003,000
55	15,001	20,000	1,004,500
42	20,001	25,000	1,015,500
31	25,001	30,000	884,082
15	30,001	35,000	496,350
12	35,001	40,000	467,500
9	40,001	45,000	396,000
24	45,001	50,000	1,199,000
8	50,001	55,000	418,000
4	55,001	60,000	236,500
3	60,001	65,000	192,000
6	65,001	70,000	404,001
10	70,001	80,000	768,500
8	80,001	90,000	678,000
27	90,001	100,000	2,676,500
22	100,001	150,000	2,881,656
20	150,001	200,000	3,620,714
4	200,001	250,000	935,500
3	250,001	300,000	877,500
5	300,001	400,000	1,664,000
4	400,001	600,000	1,991,000
4	600,001	800,000	2,636,140
2	800,001	1,000,000	1,950,000
1	1,000,001	1,100,000	1,011,000
2	1,100,001	1,300,000	2,430,500
1	3,000,001	3,200,000	3,066,500
3	9,995,001	10,000,000	30,000,000
1	12,355,001	12,360,000	12,357,000
1642			80,000,000

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

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Son of Director	1	64,500	0.08
Financial Institutions	5	43,357,000	54.20
Joint Stock Companies	8	1,472,501	1.84
Textile	1	2,137	0.00
Individuals	1627	35,103,862	43.88
	1642	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 33rd Extra Ordinary General Meeting of the Company to be held on January 28, 2022, and at any adjournment thereof.

Signed this _____ day of _____ 2022.

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 _____ Name _____ NIC _____ Address _____	2. Signature _____ Name _____ NIC _____ Address _____
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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).



Book Post

If not delivered return to :



Nishatabad, Faisalabad - Pakistan
Tel: +92 41 8754475-76
Fax: +92 41 8752400, 8752700
Email: chenab@chenabgroup.com
Web: www.chenabgroup.com