Financial Statements 2016

Chenab
LIMITED

Contents

Company Information

	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
Audit Committee	Mr. Tariq Ayub Khan - Chairman Mr. Muhammad Farhan Latif Mr. Muhammad Zeeshan Latif
Auditors	Avais Hyder Liaquat Nauman Chartered Accountants.
Legal Advisor	Ch. Shahid Mehmood (Advocate)
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
Website Address	www.chenabgroup.com
Works	-Spinning Unit - Toba Tek Singh. -Weaving Unit - Kharianwala, Distt: Sheikhupura. -Weaving Unit - Shahkot, Distt: Nankana Sahib. -Processing & Stitching Units – Nishatabad, Fsd.

Vision

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

Mission Satement

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

Fianancial Highlights

	2016	2015	2014	2013	2012	2011	2010
Operational performance							
							(Rupees'000)
Sales-net	2,007,632	2,213,846	2,265,551	2,171,725	2,606,632	4,374,335	8,857,796
Cost of sales	2,259,157	2,575,659	2,515,062	2,546,224	3,943,890	5,541,365	9,047,217
Gross profit	(251,525)	(361,813)	(249,511)	(374,499)	(1,337,258)	(1,167,030)	(189,421)
Operation (loss) / profit	(99,201)	(206,345)	(129,634)	(226,525)	(1,316,787)	(1,167,403)	(487,105)
Loss/Profit before taxtion	(379,230)	(466,824)	(389,041)	(488,509)	(1,672,947)	(2,857,923)	(1,931,558)
Loss/Profit after taxtion	(389,703)	(479,385)	(399,289)	(493,799)	(1,690,468)	(2,887,751)	(2,019,900)
Financial position							
Property,Plant and equipment	10,848,916	11,052,466	11,046,052	11,253,800	11,462,209	11,659,237	11,855,461
Capital work in progress	-	-	-	-	-	-	-
Long term deposits	12,637	12,637	12,637	12,637	8,805	8,851	19,736
Fixed capital expenditure	10,861,553	11,065,103	11,058,689	11,266,437	11,471,014	11,668,088	11,875,197
Total assets	13,467,685	13,798,837	14,487,041	15,045,669	15,495,014	17,204,093	19,397,627
Current asset							
Store,spare parts and stocks in trade	756,931	870,072	1,086,824	1,185,960	1,370,828	2,355,099	3,734,566
Other current assets	1,824,970	1,836,361	2,303,428	2,576,549	2,623,465	3,161,152	3,770,444
Cash and cash equivalents	24,231	27,301	38,100	16,723	29,707	19,754	17,420
Total	2,606,132	2,733,734	3,428,352	3,779,232	4,024,000	5,536,005	7,522,430
Current liabilities							
Short term bank borrowing	4,988,748	5,785,580	5,681,149	5,746,683	5,570,582	7,266,478	7,436,954
Currant portion of long term loans/morabaha	2,757,063	2,675,537	2,416,944	2,054,106	1,716,298	1,388,646	870,414
Other current liabilities	2,842,071	2,385,471	2,972,167	3155952	3,309,028	3,621,008	2,831,172
Total	10,587,882	10,846,588	11,070,260	10,956,741	10,595,908	12,276,132	11,138,540
Net working capital	(7,981,750)	(8,112,854)	(7,641,908)	(7,177,509)	(6,571,908)	(6,740,127)	(3,616,110)
Long term loans/Finance lease, morabaha	2,353,982	2,086,486	2,378,188	2,786,025	3,196,416	19,000,281	2,322,499
Shareholder's equity	(5,588,895)	(5,244,931)	(4,781,852)	(4,428,460)	(3,965,244)	(2,295,908)	564,947
Profiability analysis							
Gross profit to sale (%)	(12.53)	(16.34)	(11.01)	(17.24)	(51.30)	(26.68)	(2.14)
Loss/Profit befor tax to sales (%)	(18.89)	(21.09)	(17.17)	(22.49)	(64.18)	(65.33)	(21.81)
Loss/Profit after tax to sales (%)	(19.41)	(21.65)	(17.62)	(22.74)	(64.85)	(66.02)	(22.80)
Return on Investment (%)	(2.89)	(3.47)	(2.76)	(3.28)	(10.91)	(16.79)	(10.41)
Return on equity (%)	6.97	9.14	8.35	11.15	42.63	125.78	(357.54)
Earnings per share(Rupees)	(3.39)	(4.17)	(3.47)	(4.29)	(14.70)	(25.11)	(17.58)
Financial analysis							
Current ratio(time)	0.25	0.25	0.31	0.34	0.38	0.45	0.68
Debt to equity (time)	(0.91)	(0.91)	(1.00)	(1.09)	(1.24)	(1.43)	5.65
Total Debt to Total Assets	0.38	0.35	0.33	0.32	0.32	0.19	0.16
Total Debt to Fixed Assets	0.47	0.43	0.43	0.43	0.43	0.28	0.27

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 32nd Annual General Meeting of the shareholders of the Company will be held at 11.00 A.M. on Monday the 31st October, 2016 at the Registered office of the Company at Nishatabad, Faisalabad to transact the following business:-

1. To confirm the minutes of the last meeting.
2. To consider and approve the Annual Audited Financial Statements of the Company for the year ended June 30, 2016 together with Directors and Auditors Reports thereon.
3. To appoint Auditors for the next financial year 2016-2017 and to fix their remuneration. The Retiring Auditors, M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, Faisalabad being eligible, offer themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

FAISALABAD
October 10, 2016

(MUHAMMAD ARSHAD)
COMPANY SECRETARY

NOTES:

1. The Share Transfer Books of Ordinary/Preference Shares of the Company will remain closed from October 24, 2016 to October 31, 2016 (both days inclusive). Transfers received in order by Company's Registrar, M/s. F.D. Registrar Services (SMC-Pvt.) Ltd, Office No.1705, 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi upto close of business hours on October 22, 2016 will be considered in time.
2. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting. A proxy must be a member of the company.
3. Shareholders whose shares are deposited with Central Depository Company (CDC), or their Proxies are requested to bring their original National Identity Cards (CNICs) or Passports alongwith the Participants ID numbers and their account numbers at the time of attending the Annual General Meeting for verification.
4. All other members should bring their Original National Identity Cards for identification purpose.
5. The shareholders are requested to notify the company immediately the change in their address, if any.

DIRECTORS' REPORT TO THE MEMBERS

The directors take the opportunity to present before you report and audited accounts of the company for the year ended June 30, 2016.

SALES REVENUE

Sales revenue of Rs.2.007 billion has been earned during the year as compared to Rs.2.214 billion achieved during the preceding year showing 9.35% decrease due to unfavorable circumstances.

FINANCIAL RESULTS AND REASONS FOR LOSS

Due to continuous 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 lesser financial loss of Rs.389 million as compared with previous year loss of Rs.479 million due to better production controls.

However, the financial results for the year ended June 30, 2016 with comparative figures are as follows:-

	2016 (Rupees)	2015 (Rupees)
Sales	2,007,632,402	2,213,846,121
Cost of sales	(2,259,157,207)	(2,575,659,197)
Gross (loss)	(251,524,805)	(361,813,076)
Other income	152,323,470	155,468,545
	(99,201,335)	(206,344,531)
Selling and distribution expenses	(19,031,070)	(28,327,122)
Administrative expenses	(132,731,610)	(133,831,841)
Finance cost	(128,265,826)	(98,320,988)
	(280,028,506)	(260,479,951)
(Loss) before taxation	(379,229,841)	(466,824,482)
Provision for taxation	(10,473,466)	(12,560,769)
(Loss) for the year	(389,703,307)	(479,385,251)
(Loss) per share – Basic and diluted	(3.39)	(4.17)

DIVIDEND ON PREFERENCE SHARES

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

NON PAYMENT OF DEBT OBLIGATIONS

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

FUTURE PROSPECTUS

There is potential demand in the international markets for Pakistani textile products. The company can take benefit of this situation, if the Government of Pakistan provides comprehensive package for the revival of value added textile industry alongwith interruption free supply of gas which is main source of energy for processing unit coupled with help from financial institutions in providing additional working capital and restructuring financial facilities on no mark up or economical rate of mark up and affording a proper breathing space for repayment of long term liabilities.

It is learnt that Ministry of Textile Industries, Government of Pakistan has already constituted a committee to review non performing loans in the value added textile industry.

AUDITORS' OBSERVATIONS

ON GOING CONCERN ASSESSMENT

(A) Since the company on account of losses has not been able to comply with terms of certain loan arrangements with banks and financial institutions who have filed cases for recovery and winding up proceedings against the company which the management of the company is defending apart from approaching them for amicable decision.

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

(C) The company has not been able to redeem preference shares of the company on exercise of put option for two consecutive years by the holders of preference shares due to perennial financial losses and wished to convert the same into ordinary shares as per conversion formula laid down in the Prospectus 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 ordinary shares against second default shall be taken in hand after the resolution of matter in the court.

(D) 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.

(E) Management's efforts for making re-scheduling arrangements with all lenders are not so far fully materialized, 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 materialize in due course.

(F) The management is vigorously pursuing the recovery of old outstanding debts and has also adopted the available legal recourse.

(G) The management's efforts to dispose of certain non core fixed assets to meet the working capital requirements has not been materialized so far due to adverse economic conditions.

(H) 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.

(I) 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.

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

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

PATTERN OF SHARHEOLDING

The pattern of shareholding as at June 30, 2016 including the information under the code of corporate governance for ordinary and non voting cumulative preference shares are annexed.

BOARD OF DIRECTORS

The election of directors for next term of three years took place on September 18, 2016. The number of directors remained the same as per last annual general meeting of the shareholders of company. Mr. Tariq Ayub Khan being eligible was elected as Independent Director. However, Mst. Shahnaz Latif did not participate in the election. The board appreciated the services of retiring director.

BOARD MEETINGS

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

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

AUDIT COMMITTEE

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

(1) Tariq Ayub Khan - Chairman (Independent Director)
(2) Muhammad Farhan Latif - Member (Non Executive)
(3) Muhammad Zeeshan Latif - Member (Non Executive)

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

CODE OF CORPORATE GOVERNANCE

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

(i) The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
(ii) Proper books of accounts of the company have been maintained.
(iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.
(iv) International Accounting/Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements.
(v) The system of internal control is sound and has been effectively implemented and monitored.
(vi) Going concern issue is separately explained.
(vii) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the Karachi Stock Exchange.
(viii) Key operating and financial data for the last six years is annexed.
(ix) Reasons for not declaring dividend are disclosed.
(x) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2016 except for those disclosed in the financial statements.
(xi) No material changes and commitments affecting the financial position of your company have occurred between the end of the financial year to which this balance sheet relates and the date of the Directors' Report.

AUDITORS

The External Auditors, M/s. Avais Haider Liaquat Nauman, Chartered Accountants, Faisalabad retire and being eligible offers themselves for re-appointment. The Audit Committee and the Board has also recommended their re-appointment as External Auditors of the Company for the next financial year 2016-2017.

ACKNOWLEDGEMENT

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

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

For and on behalf of
BOARD OF DIRECTORS

FAISALABAD
October 10, 2016

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE

ڈائریکٹرز رپورٹ برائے ممبران

ڈائریکٹرز کمپنی کی سالانہ رپورٹ برائے مالی سال 30 جون 2016 اور پڑتال شدہ حسابات آپکے سامنے پیش کرتے ہیں۔

سیلز ریونیو

2.007 بلین روپے کا سیلز ریونیو دوران سال حاصل کیا گیا بمقابلہ 2.214 بلین روپے جو پچھلے سال حاصل کیا گیا تھا۔

نامساعد حالات کی وجہ سے اس میں 9.35 فی صد کی کمی واقع ہوئی ہے۔

مالی نتائج اور نقصان کی وجوہات

لگاتار نقصانات کی وجہ سے کمپنی کے مالی ذرائع تحلیل ہو چکے ہیں اور کمپنی دستیاب شدہ برآمدی سودے فنڈز کی وجہ سے پورے نہیں کر سکی نامساعد صورت حال کی وجہ سے کمپنی کو 389 ملین روپے کا مالی نقصان برداشت کرنا پڑا ہے۔ جو کہ بہتر پیداواری اقدامات کی وجہ سے پچھلے سال کی نسبت کم ہے جس میں مالی نقصان 479 ملین روپے تھا

تاہم مالی نتائج برائے سال 30 جون 2016 بمقابلہ 2015 مندرجہ ذیل ہیں۔

سیلز	2015	2016
	روپے	روپے
سیلز	2,213,846,121	2,007,632,402
لاگت برائے سیلز	(2,575,659,197)	(2,259,157,207)
گراس نقصان	(361,813,076)	251,524,805
دیگر آمدنی	155,468,545	152,323,470
	(206,344,531)	(99,201,335)
فروخت اور تقسیم اخراجات	(28,327,122)	(19,031,070)
انتظامی اخراجات	(133,831,841)	(132,731,610)
مالیاتی لاگت	(98,320,988)	(128,265,826)
	(260,479,951)	(280,028,506)
ٹیکس سے قبل نقصان	(466,824,482)	(379,229,841)
متعین کردہ ٹیکس	(12,560,769)	(10,473,466)
سال کا نقصان	(479,385,251)	(389,703,307)
بنیادی تحلیل شدہ	(4.17)	(3.39)

منافع برائے پریفرنس شیئرز

مالی نقصانات کی وجہ سے منافع برائے نان ووٹنگ کیمولیٹو پریفرنس شیئرز کو منافع کی دستیابی اور مختص کرنے تک موخر کر دیا گیا ہے

قرضوں کی عدم ادائیگی

لگا تار مالی نقصانات برداشت کرنے کی وجہ سے کمپنی قرضوں کی ادائیگی متعلقہ اداروں کو طے شدہ معاہدے کے مطابق ادا نہ کر پائی جس پر کچھ بنکس اور مالیاتی اداروں میں رقم کی وصولی اور کمپنی کے خلاف مقدمات درج کروا دیئے ہیں۔ تاہم کمپنی ان بنکس کو باقاعدگی سے واجبات ادا کر رہی ہے جنہوں نے مالی واجبات نئے سرے سے متعین کر دیئے ہیں۔

مستقبل کا کیفیت نامہ

بین الاقوامی منڈیوں میں پاکستانی ٹیکسٹائل مصنوعات کی بھرپور طلب ہے کمپنی اس صورت حال کا فائدہ اٹھا سکتی اگر حکومت پاکستان ویلیو ایڈڈ ٹیکسٹائل انڈسٹری کی مکمل بحالی کا پیکج دے جس میں سوئی گیس کی سپلائی بغیر تعطل کے ہو۔ جو کہ پروسیسنگ یونٹس کیلیئے بنیادی انرجی کا درجہ رکھتی ہے، بشمول مالیاتی ادارے اضافی سرمایہ اور مالیاتی قرضوں کی ادائیگی کا شیڈول مرتب کریں بغیر سود کے یا مناسب شرح سود کے، تا کہ مالی قرضے آسانی سے ادا ہوں۔

سنا گیا ہے کہ ٹیکسٹائل وزارت حکومت پاکستان ٹیکسٹائل انڈسٹری کے ادا نہ کیے جانے والے قرضوں کیلیئے کمیٹی بنا دی ہے۔

آڈیٹرز کے خدشات\جائزہ برائے نہ چلنے والی کمپنی

1۔ چونکہ نقصانات کی وجہ سے کمپنی طے شدہ معاہدات کے پیش نظر کچھ بنکس اور مالیاتی اداروں کو قرضوں کی واپسی نہ کر سکی ہے جسکی وجہ سے کمپنی کے خلاف قرضوں کی واپسی اور تحلیل کرنے کے لئے مقدمات دائر کر دیئے گئے ہیں۔ جس کا انتظامیہ دفاع بھی کر رہی ہے اور ان سے مصالحت کے لیے رابطہ بھی کر رہی ہے۔

2۔ متعین کردہ سود کی شرح قلیل \ زائد المعیاد قرضوں پر مہیا نہیں کی گئی ہے جن پر مقدمات کیے گئے ہیں اس لئے کہ مقدمات کے فیصلوں پر سود کی ادائیگی کا تعین ہوگا۔ نئے سرے سے لئے گئے قرضے اور تجدید شدہ قرضوں پر سود کی پرویژن مہیا کی جا رہی ہے۔

3۔ پریفرنس شیئر رکھنے والے جن سرمایہ کاروں نے لگا تار دو مرتبہ ان شیئرز کی واپسی کا کہا ہے اور کمپنی لگا تار نقصانات کی وجہ سے ادائیگی نہیں کر سکی اور ان شیئرز کو عام شیئرز میں تبدیل کرنیکے لئے کمپنی نے آرٹیکل آف ایسوسی ایشن اور پراسپیکٹس کے مطابق ارادہ کیا تھا جس پر ایک سرمایہ کار نے کمپنی آرڈیننس کی دفعہ 474 کے تحت ایس-ای-سی-پی کو درخواست دی تھی جو کہ بعد ازاں ایس۔ ای۔ سی۔ پی اور ایس۔ ای۔ سی۔ پی کے اپیلیٹ بنچ نے منظور نہ کی ہے کہ یہ درخواست کمپنی آرڈیننس کے سیکشن 474 کے تحت قابل سماعت نہ ہے۔ ایس۔ ای۔ سی۔ پی نے ایک درخواست ڈسٹرکٹ اور سیشن جج کراچی کو دی ہے جس میں مبینہ طور پر الزام لگایا ہے کہ کمپنی کی ٹریڈنگ سرگرمیاں سیکورٹیز اور ایکسچینج آرڈیننس 1969 کے سیکشن 17 کے منافی ہیں۔ چونکہ پریفرنس شیئرز کو آرڈنری شیئرز میں تبدیل کرنیکا معاملہ عدالت میں زیر سماعت ہے۔ انتظامیہ اس کیس کے فیصلہ کے بعد نئے شیئرز جاری کرے گی۔ دوسری مرتبہ پٹ آپشن دینے والے سرمایہ کاروں کو نئے آرڈنری شیئر دینے کا معاملہ مذکورہ بالا مقدمہ کے ختم ہونے پر دیکھا جائے گا۔

4۔ ایس۔ ای۔ سی۔ پی نے کمپنیز آرڈیننس 1984 کے تحت کمپنی کے خلاف تحقیقاتی کارروائی شروع کی ہے۔ اس حکم نامہ کو اسلام آباد ہائی

ڈائریکٹرز رپورٹ برائے ممبران

ڈائریکٹرز کمپنی کی سالانہ رپورٹ برائے مالی سال 30 جون 2016 اور پڑتال شدہ حسابات آپکے سامنے پیش کرتے ہیں۔

سیلز ریونیو

2.007 بلین روپے کا سیلز ریونیو دوران سال حاصل کیا گیا بمقابلہ 2.214 بلین روپے جو پچھلے سال حاصل کیا گیا تھا۔
نا مساعد حالات کی وجہ سے اس میں 9.35 فی صد کی کمی واقع ہوئی ہے۔

مالی نتائج اور نقصان کی وجوہات

لگاتار نقصانات کی وجہ سے کمپنی کے مالی ذرائع تحلیل ہو چکے ہیں اور کمپنی دستیاب شدہ برآمدی سودے فنڈز کی وجہ سے پورے نہیں کر سکی نامساعد صورت حال کی وجہ سے کمپنی کو 389 ملین روپے کا مالی نقصان برداشت کرنا پڑا ہے۔ جو کہ بہتر پیداواری اقدامات کی وجہ سے پچھلے سال کی نسبت کم ہے جس میں مالی نقصان 479 ملین روپے تھا

تاہم مالی نتائج برائے سال 30 جون 2016 بمقابلہ 2015 مندرجہ ذیل ہیں۔

سیلز	2015	2016
	روپے	روپے
سیلز	2,213,846,121	2,007,632,402
لاگت برائے سیلز	(2,575,659,197)	(2,259,157,207)
گراس نقصان	(361,813,076)	251,524,805
دیگر آمدنی	155,468,545	152,323,470
	(206,344,531)	(99,201,335)
فروخت اور تقسیم اخراجات	(28,327,122)	(19,031,070)
انتظامی اخراجات	(133,831,841)	(132,731,610)
مالیاتی لاگت	(98,320,988)	(128,265,826)
	(260,479,951)	(280,028,506)
ٹیکس سے قبل نقصان	(466,824,482)	(379,229,841)
متعین کردہ ٹیکس	(12,560,769)	(10,473,466)
سال کا نقصان	(479,385,251)	(389,703,307)
بنیادی تحلیل شدہ	(4.17)	(3.39)

بورڈ آف ڈائریکٹرز

ڈائریکٹران کے الیکشن اگلی 3 سالہ میعاد کیلئے 18 ستمبر 2016 کو منعقد ہوئے۔ڈائریکٹران کی تعداد پچھلے سالانہ اجلاس عام برائے شیئر ہولڈرز سے اب تک وہی رہی۔طارق ایوب خان اہل ہونیکی بنیاد پر انڈیپنڈنٹ ڈائریکٹر منتخب ہوئے۔تاہم مسمات شہناز لطیف نے الیکشن میں حصہ نہیں لیا۔بورڈ ریٹائر ہونے والے ڈائریکٹر کی خدمات کو سراہتا ہے۔

بورڈ میٹنگز

جائزہ لیے جانے والے سال کے دوران چار بورڈ میٹنگز منعقد ہوئیں۔ہر ڈائریکٹر کی بورڈ میں حاضری درج ذیل ہے

نمبر شمار	نام ڈائریکٹر	تعداد میٹنگز جن میں شمولیت کی
1	میاں محمد لطیف	4
2	میاں محمد جاوید اقبال	4
3	میاں محمد نعیم	4
4	محمد فیصل لطیف	4
5	محمد فرحان لطیف	4
6	محمد ذیشان لطیف	4
7	مسمات شہناز لطیف	4

آڈٹ کمیٹی

ڈائریکٹران کے الیکشن کے نتیجہ میں کوڈ آف کارپوریٹ گورنس کے زیر تحت بورڈ نے درج ذیل ایک آڈٹ کمیٹی تشکیل دی ہے

1۔ طارق ایوب خان ۔چیئرمین (انڈیپنڈنٹ ڈائریکٹر)

2۔ محمد فرحان لطیف ۔ممبر (نان ایگزیکٹو)

3۔ محمد ذیشان لطیف ۔ممبر (نان ایگزیکٹو)

درمیانی مدت اور سالانہ حسابات کی پیشگی منظوری سے پہلے ہر سہ ماہی میں آڈٹ کمیٹی کی میٹنگز منعقد ہوئیں۔جس میں CFO ہیڈ آف انٹرنل اور ایکسٹرنل آڈیٹرز جب اور جہاں ضرورت ہوئی شامل ہوئے

کارپوریٹ گورنس

ڈائریکٹران بمسرت کوڈ آف گورنس کے تحت مندرجہ ذیل سٹیٹمنٹ پیش کرتے ہیں۔

☆ کمپنی کی انتظامیہ کی تیار کردہ مالیاتی سٹیٹمنٹ درست طور پر معاملات کی عکاسی کرتیں ہیں بشمول پیداواری عمل کے نتائج، کیش فلوز اور ایکوئٹی میں تبدیلی کی صورت حال۔

☆ کمپنی کے حسابات کی درست کتابیں تیار کی گئی ہیں

☆ کھاتہ جات کی تیاریوں میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکسا اطلاق کیا گیا ہے اور اکاؤنٹنگ پالیسیوں میں کسی بھی تبدیلی کا ذکر مالیاتی سٹیٹمنٹ میں کیا گیا ہے اور اکاؤنٹنگ کے تخمینے اور موزوں اور محتاط اندازے پر مبنی ہیں

☆ کھاتہ جات کی تیاری میں پاکستان میں لاگو بین الاقوامی فنانشل رپورٹنگ سٹینڈرڈ اور بین الاقوامی اکاؤنٹنگ سٹینڈرڈ پر عمل درآمد کیا گیا ہے۔

☆ اندرونی انضباط درست طور پر ڈیزائن کیے گئے ہیں اور موثر اطلاق اور جانچ کی گئی ہے۔

☆ بطور کمپنی کام کرنے کی صلاحیت کو علیحدہ طور پر وضاحت کی گئی ہے

☆ ضوابط کی فہرست میں بیان کردہ کارپوریٹ گورننس جنکی تفصیلات ایکسچینج کی قانونی کتاب میں موجود ہے کی بہترین حکمت عملیوں سے انحراف نہیں کیا گیا ہے۔

☆ اس سالانہ رپورٹ میں بنیادی آپریٹنگ اور چھ سالہ فنانشل ڈیٹا کا خلاصہ مرتب کیا گیا ہے جو منسلک ہے۔

☆ منافع کی عدم ادائیگی کی وجوہات بیان کی گئی ہیں

☆ کھاتہ جات میں تمام قانونی ذمہ داریاں اگر کوئی ہیں سامنے لائی گئیں ہیں۔

☆ کوئی غیر معمولی تبدیلی اور معاہدے اس مالی سال کے اختتام تک جن سے متعلقہ یہ بیلنس شیٹ اور ڈائریکٹر رپورٹ ہیں نہیں کیے گئے ہیں جن کی وجہ سے کمپنی حالت متاثر ہو۔

آڈیٹرز

بیرونی آڈیٹرز کے طور پر میسرز اولیس حیدر لیاقت نعمان چارٹرڈ اکاؤنٹنٹس فیصل آباد ریٹائرڈ ہو گئے اور اہل ہونے کی بنیاد پر دوبارہ تقرری کیلئے پیش کرتے ہیں۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے ریٹائرڈ ہونے والے آڈیٹرز کو اگلی مدت برائے سال 2016-2017 کے لئے بیرونی آڈیٹرز کے طور پر مقرر کرنے کی سفارش کی ہے۔

تسلیم و تحسین

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

بورڈ اس امر کی بھی ستائش کرتا ہے جو کمپنی کے ملازمین کی طرف سے لگاتار تندہی سے خدمات ادا کی گئیں اور امید کرتا ہے کہ یہ خدمات مستقبل میں بھی اسی طرح جاری رہیں گی۔

بورڈ آف ڈائریکٹرز کی جانب سے

میاں محمد لطیف

چیف ایگزیکٹو

فیصل آباد

10 اکتوبر 2016

RSM

RSM Avais Hyder Liaquat Nauman

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2016 prepared by the Board of Directors of Chenab Limited (the company) to comply with the Listing Regulation No. 5.19.23 of the Pakistan Stock Exchange Limited, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code also requires the company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

As per regulation 5.19.7 of the Code, it is mandatory for half of the directors of the company (excluding the directors who are exempted under the Code) to have certification under any director's training program by institutions (local or foreign) that met the criteria specified by SECP. The directors other than those specifically exempt are required to acquire the said certification by June 30, 2018. No director of the company has acquired the said certification to date.

As per regulation 5.19.21 clause (b) of the code, all listed companies shall ensure that internal audit report are provided for the review of external auditors.No such report was provided.

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

We have also expressed an adverse opinionin our audit report for the financial statements for the year ended June 30,2016.

Avais Hyder Liaquat Nauman

Dated: October 10, 2016.
Plac: Faisalabad

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

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

Statement of compliance with the Code of Corporate Governance
For The Year Ended June 30, 2016

This statement is being presented to comply compliance with the Code of Corporate Governance (the Code) contained in the Listing Regulations of the Pakistan Stock Exchange Limited for the purpose of establishing a framework whereby a listed company is managed in compliance with best practices for good Corporate Governance.

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

1. The Company encourages representation of independent Non-executive Directors and the Directors representing minority interests on its Board of the Directors. At present, the Board includes:

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

*The condition of clause 5.19.1(b) of the Code of Corporate Governance in relation to independent director will be complied after clearance from major creditor of the Company.
** With effect from October 01, 2015, Mr. Muhammad Javaid has become non- executive director.

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

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

4. No casual vacancy occurred on the Board during the year under review.

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

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

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

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least 7 days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The Company Secretary and CFO attended the meetings of the Board of Directors.

9. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with the amendments in the corporate and other laws, if any. All directors are exempt from training due to 14 years of qualification and 15 years of experience in company.

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

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

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.

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

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive Directors.

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

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

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

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

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

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

22. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities was determined and intimated to directors, employees and Karachi Stock Exchange.

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

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

For and on behalf of
Board of Directors

(Mian Muhammad Latif)
Chief Executive Office

RSM

RSM Avais Hyder Liaquat Nauman

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AUDITORS' REPORT TO THE MEMBERS

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

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

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

(a) As described in Note 1.3 to the financial statements, the financial statements have been prepared on going concern basis. The Company incurred a net loss of Rs. 389.70 million for the year ended June 30, 2016. As at June 30, 2016 its accumulated loss is Rs. 8,141.74 million, shareholders' equity is negative by Rs. 5,588.90 million and the Company's current liabilities exceed its current assets by Rs. 7,981.75 million. The Company is facing operational and financial problems. There is no sufficient appropriate audit evidence that the management's plans are feasible and ultimate outcome will improve the Company's current situation. In our opinion, the going concern assumption used in the preparation of these financial statements is inappropriate, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

(b) The Company is not providing for markup since July 2011 in respect of certain long term financing and short term borrowings in view of its requests to the respective lenders to convert all outstanding liabilities into non serviceable loans / loans subject to reduced rate of markup (Refer Note 14 and 30.1 to the financial statements). Had the markup been provided, loss for the year would have been increased by Rs. 61.65 million (2015: by Rs. 96.91 million) and negative equity and interest / markup payable would have been increased by Rs. 1,021.68 million (2015: by Rs. 1677.84 million).

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

RSM

RSM Avais Hyder Liaquat Nauman

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(c) Trade debts of Rs. 1,530.80 million (2015: Rs. 1,532.30 million) are past due. In our opinion, these past due trade debts are impaired but no provision in respect of doubtful debts has been made in the financial statements. We are unable to determine the quantum of provision with reasonable accuracy and, therefore, its impact on results for the year and equity could not be quantified.

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

(e) in our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have not been drawn up in conformity with the Companies Ordinance, 1984. The balance sheet and profit and loss account are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of the Company's business; and

iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(f) in our opinion, because of the significance of the matters discussed in paragraph (a) to (c) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan and do not give the information required by the Companies Ordinance, 1984 in the manner so required and do not give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and

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

Avais Hyder Liaquat Nauman

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

Dated**: October 10, 2016**
Place: Faisalabad

Balance Sheet

As at June 30 2016.

	Note	2016 Rupees	2015 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	(8,065,304,934)	(7,721,340,970)
		(5,588,895,182)	(5,244,931,218)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	5,198,671,152	5,170,726,642
NON-CURRENT LIABILITIES			
Long term financing	8	2,344,586,556	2,067,490,862
Liabilities against assets subject to finance lease	9	9,396,234	18,996,233
Deferred liabilities	10	908,779,724	920,063,866
Deferred revenue		7,263,530	19,903,475
		3,270,026,044	3,026,454,436
CURRENT LIABILITIES			
Trade and other payables	11	1,673,383,761	1,095,868,888
Interest / markup payable	12	1,158,212,870	1,277,318,287
Short term bank borrowings	13	4,988,748,313	5,785,580,429
Current portion of :			
Long term financing	8	2,734,086,182	2,662,160,128
Liabilities against assets subject to finance lease	9	22,977,906	13,377,907
Provision for taxation - income tax		10,473,466	12,282,385
		10,587,882,498	10,846,588,024
CONTINGENCIES	14	-	-
		13,467,684,512	13,798,837,884

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

	Note	2016 Rupees	2015 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating assets	15	10,848,915,539	11,052,466,480
Long term deposits	16	12,636,768	12,636,768
		10,861,552,307	11,065,103,248
CURRENT ASSETS			
Stores, spares and loose tools	17	422,273,351	424,702,996
Stock in trade	18	334,657,862	445,370,174
Trade debts	19	1,706,118,676	1,713,536,773
Loans and advances	20	41,974,099	51,860,178
Deposits and prepayments	21	12,495,014	12,665,135
Other receivables	22	28,781,403	24,730,221
Tax refunds due from Government	23	35,600,176	33,568,219
Cash and bank balances	24	24,231,624	27,300,940
		2,606,132,205	2,733,734,636
		13,467,684,512	13,798,837,884

MUHAMMAD NAEEM
(DIRECTOR)

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

	Note	2016 Rupees	2015 Rupees
Sales	25	2,007,632,402	2,213,846,121
Cost of sales	26	(2,259,157,207)	(2,575,659,197)
Gross (loss)		(251,524,805)	(361,813,076)
Other income	27	152,323,470	155,468,545
		(99,201,335)	(206,344,531)
Selling and distribution expenses	28	(19,031,070)	(28,327,122)
Administrative expenses	29	(132,731,610)	(133,831,841)
Finance cost	30	(128,265,826)	(98,320,988)
		(280,028,506)	(260,479,951)
(Loss) before taxation		(379,229,841)	(466,824,482)
Provision for taxation	31	(10,473,466)	(12,560,769)
(Loss) for the year		(389,703,307)	(479,385,251)
(Loss) per share- Basic and diluted	32	(3.39)	(4.17)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

MUHAMMAD NAEEM
(DIRECTOR)

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

	Note	2016 Rupees	2015 Rupees
(Loss) for the year		(389,703,307)	(479,385,251)
Other comprehensive income for the year			
Items that will not be subsequently reclassified to profit or loss:			
Incremental depreciation on revalued assets for the year - net of deferred tax	7	23,510,989	22,544,421
Related deferred tax		5,164,015	5,395,003
Remeasurement of defined benefit liability		20,812,395	(14,416,849)
Related deferred tax		(3,748,056)	2,783,842
		45,739,343	16,306,417
Total comprehensive (loss) for the year		(343,963,964)	(463,078,834)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

MUHAMMAD NAEEM
(DIRECTOR)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(379,229,841)	(466,824,482)
Adjustments for:		
Depreciation on operating assets	207,226,737	209,200,550
Provision for staff retirement gratuity	40,515,842	35,457,895
(Gain) on disposal of operating assets	(193,603)	(290,829)
Finance cost	128,265,826	98,320,988
Balances written off / (back) - net	(139,757,726)	(144,045,084)
Operating cash flows before working capital changes	(143,172,765)	(268,180,962)
Changes in working capital		
Decrease / (increase) in current assets		
Stores, spares and loose tools	2,429,645	46,192,124
Stock in trade	110,712,312	170,558,529
Trade debts	7,418,097	424,184,346
Loans and advances	5,727,958	23,411,655
Deposits and prepayments	170,121	(5,965)
Other receivables	(4,051,182)	10,051,168
Tax refunds due from Government	2,809,051	13,057,166
	125,216,002	687,449,023
Increase / (Decrease) in current liabilities		
Trade and other payables	536,544,875	(384,887,404)
	661,760,877	302,561,619
Cash generated from operations	518,588,111	34,380,657
Income tax paid	(13,137,611)	(17,295,732)
Finance cost paid	(56,349,591)	(35,349,507)
Staff retirement gratuity paid	(8,494,945)	(6,079,162)
Net cash generated from / (used in) operating activities	440,605,964	(24,343,744)
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in operating assets	(3,862,193)	(6,301,219)
Proceeds from disposal of operating assets	380,000	493,662
Net cash (used in) investing activities	(3,482,193)	(5,807,557)

	2016 Rupees	2015 Rupees
c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	-	5,700,000
Repayment of :		
Long term financing	(335,883,761)	(89,000,000)
Liabilities against assets subject to finance lease	-	(1,779,619)
(Decrease) / increase in short term bank borrowings - net	(104,309,326)	104,431,294
Net cash (used in) / generated from financing activities	(440,193,087)	19,351,675
Net (decrease) in cash and cash equivalents (a+b+c)	(3,069,316)	(10,799,626)
Cash and cash equivalents at the beginning of the year	27,300,940	38,100,566
Cash and cash equivalents at the end of the year	24,231,624	27,300,940

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

MUHAMMAD NAEEM
(DIRECTOR)

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

			Capital reserves				Revenue reserves			
	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	Total
	---------- Rupees ----------									
Balance as at July 01, 2014	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(7,334,694,970)	(7,258,262,136)	(4,781,852,384)
Total comprehensive (loss) for the year										
(Loss) for the year	-	-	-	-	-	-	-	(479,385,251)	(479,385,251)	(479,385,251)
Other comprehensive income										
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the year	-	-	-	-	-	-	-	22,544,421	22,544,421	22,544,421
Related deferred tax								5,395,003	5,395,003	5,395,003
Remeasurement of defined benefit liability								(14,416,849)	(14,416,849)	(14,416,849)
Related deferred tax	-	-	-	-	-	-	-	2,783,842	2,783,842	2,783,842
	-	-	-	-	-	-	-	(463,078,834)	(463,078,834)	(463,078,834)
Balance as at June 30, 2015	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(7,797,773,804)	(7,721,340,970)	(5,244,931,218)
Total comprehensive (loss) for the year										
(Loss) for the year	-	-	-	-	-	-	-	(389,703,307)	(389,703,307)	(389,703,307)
Other comprehensive income										
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)
	-	-	-	-	-	-	-	(343,963,964)	(343,963,964)	(343,963,964)
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)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

MUHAMMAD NAEEM
(DIRECTOR)

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 Sheikhupura Road, Khurrianwala, District Faisalabad, Jhumra Road, Gatti, District Faisalabad, Sheikhupura Road, Kharrianwala, District Sheikhupura and Shahkot, District Nankana Sahib. Spinning unit is located at Shorkot Road, District Toba Tek Singh, in the province of Punjab.

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

1.3 The Company has incurred operating losses of Rs.389.70 million. As at June 30, 2016 the accumulated loss of the Company is Rs.8,141.74 million and the current liabilities exceed its current assets by Rs. 7,981.75 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 challanged 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

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

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

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

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2015 and therefore, have been applied in preparing these financial statements.

- **IFRS 13 Fair Value Measurement**

  The standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard and requires certain additional disclosures about fair value measurement. The application of standard has no significant impact on the Company's financial statements.

- **Annual improvements to IFRS's 2010-2012 and 2011-2013**

  The company has applied the amendments to IFRS's included in the annual improvements 2010-2012 cycle and 2011-2013 cycle in the current year.

  The application of amendments has no significant impact on the disclosures or amounts recognized in the company's financial statements

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

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2015 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

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

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

- **IFRS 9 Financial Instruments (2014)**

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

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

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

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

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

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

- **IFRS 15 Revenue from Contracts with Customers**

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

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

- **IFRS 16 Leases**

Replaces the current IAS – 17 and requires lessees to recognize a lease liability reflecting future lease payments for virtually all lease contracts.

The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of standard is not expected to have any material impact on the Company's financial statements.

- **IAS 12 Income taxes**

  The amendments to IAS 12 address the issue of recognition of deferred tax assets for unrealized losses and clarify how to account for deferred tax assets related to debt instruments measured at fair value.

  The amendments are effective for accounting period beginning on or after January 01, 2017. The application of standard is not expected to have any material impact on the Company's financial statements.

- **IAS 7 Statement of cash flows**

  The amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities

  The amendment is effective for accounting period beginning on or after January 01, 2017. The application of amendments is not expected to have any material impact on the Company's financial statements.

- **IFRS 2 Share-based payments**

  The amendments to IFRS 2 address the main areas of vesting conditions, classification and accounting for modification to the terms and conditions.

  The amendment is effective for accounting period beginning on or after January 01, 2018. The application of amendments is not expected to have any material impact on the Company's financial statements.

- **Amendment s to IAS 1 Disclosure Initiative**

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

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

- **Amendment to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets":**

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

- **Annual improvements 2014**

  These set of amendments impacts 4 standards:

  - IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
  - IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
  - IAS 19, 'Employee benefits' regarding discount rates.
  - IAS 34, 'Interim financial reporting' regarding disclosure of information.

  The amendments are effective for accounting periods beginning on or after January 01, 2016. The application of amendments is not expected to have any material impact on the Company's financial statements.

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

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

2.3 Basis of preparation

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

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

The principal accounting policies adopted are set out below:

2.4 Staff retirement benefits

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

2.5 Leases

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

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

2.6 Trade and other payables

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

2.7 Provisions

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

2.8 Provision for taxation

Current

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

Deferred

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

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

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

2.9 Dividend and other appropriations

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

2.10 Property, plant and equipment

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

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

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

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

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

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

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

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

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

Assets subject to finance lease

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

2.11 Borrowing costs

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

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

2.12 Impairment

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

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

2.13 Stores, spares and loose tools

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

2.14 Stock in trade

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

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

Wastes are valued at net realisable value.

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

2.15 Trade debts and other receivables

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

2.16 Cash and cash equivalents

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

2.17 Foreign currency translation

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

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

2.18 Financial instruments

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

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

2.19 Offsetting of financial asset and financial liability

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

2.20 Revenue recognition

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

Sales are recorded on dispatch of goods.

2.21 Related party transactions

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

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

2016 Number of shares	2015 Number of shares		2016 Rupees	2015 Rupees
35,985,702	35,985,702	Ordinary shares of Rs. 10/- each fully paid in cash.	359,857,020	359,857,020
73,869,559	73,869,559	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares.	738,695,590	738,695,590
5,144,739	5,144,739	Ordinary shares of Rs. 10/- each issued as fully paid under scheme of arrangement for amalgamation.	51,447,390	51,447,390
115,000,000	115,000,000		1,150,000,000	1,150,000,000

4. Cumulative preference shares

2016 Number of shares	2015 Number of shares		2016 Rupees	2015 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:

a) 75% of market value of shares or

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

c) face value of shares

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

4.3 The holders of 55,080,498 cumulative preference shares called upon to convert preference shares into ordinary shares due to non-redemption of their holding on exercise of put options for two consecutive years. The Company proposed to issue new ordinary shares to preference shareholders holding 49,984,998 cumulative preference shares who have called upon to convert their shares, as per conversion formula laid down in the Prospectus (Refer above 4.2) and Articles of Association of the Company. In view of the reservations, one of the investors filed application under Section 474 of the Companies Ordinance 1984 before the Securities and Exchange Commission of Pakistan which was not entertained by the SECP and Appellate bench being out of domain of Companies Ordinance 1984. SECP has initiated preceding 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 SCEP. 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.

	Note	2016 Rupees	2015 Rupees
5. Capital reserves			
Premium on issue of ordinary shares		120,000,000	120,000,000
Merger reserve	5.1	63,552,610	63,552,610
Preference shares redemption reserve	5.2	342,857,142	342,857,142
		526,409,752	526,409,752

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

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

	Note	2016 Rupees	2015 Rupees
6. Revenue reserves			
General reserve		76,432,834	76,432,834
(Accumulated loss)			
Opening balance		(7,797,773,804)	(7,334,694,970)
Total comprehensive loss for the year		(343,963,964)	(463,078,834)
		(8,141,737,768)	(7,797,773,804)
		(8,065,304,934)	(7,721,340,970)
7. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Opening balance		5,170,726,642	5,000,307,165
Surplus arisen on revaluation carried out during the year		-	209,516,379
Incremental depreciation on revalued assets for the year		(23,510,989)	(22,544,421)
Deferred tax reversed / (provided) on surplus	10.2	51,455,499	(16,552,481)
		5,198,671,152	5,170,726,642

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

	Note	2016 Rupees	2015 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	1,310,500,000	1,330,500,000
Term finances	8.1	2,300,564,000	1,678,882,197
Long term finance	8.1	157,245,796	157,245,796
Diminishing Musharakah		-	236,000,000
From financial institutions			
Term finances	8.1	560,260,533	560,360,533
Long term finances	8.1	78,434,529	78,434,529
Not subject to mark up			
From financial institutions			
Term finance IX	8.2	58,351,091	58,351,091
Term finance XI	8.3	74,000,000	74,000,000
		4,778,583,182	4,413,001,379
Less : Current portion			
Installments due		2,526,130,353	2,388,803,884
Payable within one year		207,955,829	273,356,244
		2,734,086,182	2,662,160,128
		2,044,497,000	1,750,841,251
Unsecured from			
Directors	8.4	264,813,086	264,813,086
Associates	8.5	35,276,470	51,836,525
		2,344,586,556	2,067,490,862

8.1 The terms of repayment of finances are as under;

Nature of loans	Balance Rupees	Number of installments	Payment rests	Commencement date	Ending date	Markup rate
From banking companies:						
Fixed assets finance	239,227,233	10	Half yearly	30-Sep-10	31-Mar-15	6 Months KIBOR + 0.5% p.a
Demand finances						
III	65,000,000	15	Quarterly	26-Jun-10	26-Dec-13	3 Months KIBOR + 1.5% p.a
IV	146,000,000	10	Half yearly	30-Sep-10	31-Mar-15	6 Months KIBOR + 0.5% p.a
VII	1,099,500,000	**(Refer Note 8.1.1)**				
	1,310,500,000					
Term finances						
III	106,250,000	60	Monthly	01-Oct-09	01-Sep-14	1 Month KIBOR + 0.5% p.a
IV	475,352,000	20	Quarterly	30-Sep-10	30-Jun-15	3 Months KIBOR + 2.5% p.a with a floor of 11% p.a
V	121,000,000	10	Quarterly	30-Sep-10	31-Dec-12	3 Months KIBOR + 3% p.a with a floor of 12% p.a
VI	130,000,000	60	Monthly	01-Nov-09	01-Oct-14	1 Month KIBOR + 0.5% p.a
X	490,865,000	**(Refer Note 8.1.2)**				
XI	977,097,000	**(Refer Note 8.1.3)**				
	2,300,564,000					
Long term finances						
IV	65,754,250	20	Quarterly	30-Sep-07	30-Jun-13	SBP rate + 2% p.a
VII	40,000,000	8	Half yearly	20-Jun-07	20-Dec-10	SBP rate + 2% p.a
VIII	38,433,050	14	Quarterly	01-Jan-07	31-Jan-11	SBP rate + 2% p.a
X	13,058,496	24	Quarterly	28-Mar-10	28-Dec-15	SBP rate + 2% p.a
	157,245,796					
From financial institutions:						
Term finances						
I	300,000,000	20	Quarterly	01-Mar-11	01-Dec-15	6 Months KIBOR + 2.5% p.a
II	93,750,000	60	Monthly	23-Jan-11	23-Dec-15	6 Months KIBOR + 3% p.a with a floor of 10% p.a and rebate of 6% p.a during the grace period.
III	47,916,667	60	Monthly	27-Jan-11	27-Dec-15	6 Months KIBOR + 3% p.a with a floor of 10% p.a and rebate of 6% p.a during the grace period.
IV	37,500,000	8	Quarterly	01-Mar-11	01-Dec-12	6 Months KIBOR + 3% p.a
V	48,537,616	12	Quarterly	29-Jul-11	29-Apr-14	3 Months KIBOR + 2.5% p.a
VI	17,578,125	16	Quarterly	29-Apr-09	29-Jan-13	6 Months KIBOR + 3% p.a
VII	14,978,125	16	Quarterly	29-Apr-09	29-Jan-13	6 Months 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	24,381,000	9	Half yearly	31-Dec-07	31-Dec-12	SBP rate + 2% p.a
V	12,179,477	13	Quarterly	31-Mar-07	28-Feb-10	SBP rate + 2% p.a
VI	18,888,895	13	Quarterly	31-Mar-07	28-Feb-11	SBP rate + 2% p.a
VII	7,307,700	13	Quarterly	31-Mar-07	31-Mar-11	SBP rate + 2% p.a
	78,434,529					

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

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

8.1.1 The loan is repayable as under ;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
28	20,000,000	560,000,000	31-Jan-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	
41		1,099,500,000		

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

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

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

8.1.3 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 is converted into long term loan during the year. It is repayable as under;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
1	54,600,000	54,600,000	30-Jun-16	-
5	200,000	1,000,000	31-Jul-16	30-Nov-16
1	71,000,000	71,000,000	31-Dec-16	-
12	500,000	6,000,000	31-Jan-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	-
96		977,097,000		

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).

8.2 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 52 monthly installments as under;

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

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

8.4 These are interest free. Directors' loan of Rs. 196.617 million (2015: 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.

8.5 These are interest free. These loans are recognised at amortised cost. Loans amounting to Rs 15.34 million (2015: Rs. 31.99 million) are repayable in lump sum after June 30,2020 and loans amounting Rs 27.19, million (2015: Rs. 34.20) are repayable in lump sum on June 30, 2017. Using prevailing market interest rate for an equivalent loan of 10.12% for loans payable after June 30, 2020 and 9.25% for loans payable on June 30, 2017, the fair value of these loans is estimated at Rs. 35.28 million (2015: Rs 51.84 million). The difference of Rs.7.26 million (2015: Rs19.90 million) between the gross proceeds and the fair value of these loans is the benefit derived from the interest free loans and is recognised as deferred revenue.

	Note	2016 Rupees	2015 Rupees
9. Liabilities against assets subject to finance lease			
Opening balance		32,374,140	34,153,759
Paid / transferred during the year	9.2	-	(1,779,619)
		32,374,140	32,374,140
Shown under current liabilities			
Installments due		(13,377,906)	(8,577,907)
Payable within one year		(9,600,000)	(4,800,000)
		(22,977,906)	(13,377,907)
		9,396,234	18,996,233

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

9.2 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 11.85% to 18.18% per annum (2015 : 12.17% to 16.33% 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:

	2016 Rupees	2015 Rupees
Year ending June 30,		
2016	-	15,707,766
2017	27,084,128	11,376,362
2018	10,004,275	10,004,275
	37,088,403	37,088,403
Financial charges		
Payable	(4,106,221)	(2,329,860)
Allocated to future periods	(608,042)	(2,384,403)
	(4,714,263)	(4,714,263)
	32,374,140	32,374,140

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

	2016		2015	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	------ Rupees ------			
Due within one year	27,084,128	22,977,906	15,707,766	13,377,906
Due after one year but not later than five years	10,004,275	9,396,234	21,380,637	18,996,234
	37,088,403	32,374,140	37,088,403	32,374,140

10. Deferred liabilities

	Note	2016 Rupees	2015 Rupees
Staff retirement gratuity	10.1	124,371,905	132,536,533
Deferred taxation	10.2	48,488,868	101,360,326
Deferred mark up on:			
Demand finance VII	8.1.1	500,761,370	445,129,677
Term finance X	8.1.2	168,535,129	168,535,129
Diminishing musharakah	8.2	-	54,487,842
Liabilities against assets subject to finance lease	9.2	18,818,983	18,014,359
Term finance XI	8.1.3	47,803,469	-
		735,918,951	686,167,007
		908,779,724	920,063,866

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, 2016.

	Note	2016 Rupees	2015 Rupees
10.1.2 Balance sheet reconciliation as at June 30,			
Present value of defined benefit obligation		124,371,905	132,536,533
10.1.3 Movement in net liability recognized			
Opening balance		132,536,533	100,794,246
Charge for the year	10.1.4	40,515,842	35,457,895
Paid / adjusted during the year		(8,494,945)	(6,079,162)
Benefits payable		(19,373,130)	(12,053,295)
Remeasurement of obligation		(20,812,395)	14,416,849
Balance at June 30,		124,371,905	132,536,533
10.1.4 Charge for the year			
Service cost		28,952,099	23,303,933
Interest cost		11,563,743	12,153,962
		40,515,842	35,457,895
10.1.5 Principal actuarial assumptions			
Discount factor used		7.25% Per annum	9.75% Per annum
Expected rate of increase in salaries		7.25% Per annum	9.75% 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	141,763,379
Salary increase rate	100 bps	142,315,222	123,793,370

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

	Note	2016 Rupees	2015 Rupees
10.2 Deferred taxation			
Opening balance		101,360,326	92,986,690
(Reversed) / Provided during the year on surplus		(51,455,499)	16,552,481
Deferred tax related to incremental depreciation transferred to unappropriated profit		(5,164,015)	(5,395,003)
Deferred tax related to remeasurement of staff retirement gratuity		3,748,056	(2,783,842)
	10.2.1	48,488,868	101,360,326

	Note	2016 Rupees	2015 Rupees
10.2.1 It comprises of the followings:			
Deferred tax liability :			
Difference in tax and accounting bases of property, plant and equipment		1,078,894,262	1,116,546,282
Deferred tax assets :			
Unadjusted tax losses		(1,002,177,361)	(979,499,004)
Staff retirement gratuity		(22,397,849)	(25,592,331)
Lease liability		(5,830,184)	(10,094,621)
		48,488,868	101,360,326

11. Trade and other payables

	Note	2016 Rupees	2015 Rupees
Creditors		950,947,291	908,530,455
Accrued liabilities		95,346,383	87,356,998
Advance from customers		191,847,517	96,628,977
Security deposit		432,000,000	-
Unclaimed dividend		366,071	366,071
Other		2,876,499	2,986,387
		1,673,383,761	1,095,868,888

12. Interest / markup payable

	Note	2016 Rupees	2015 Rupees
Interest / mark up payable on:			
Long term financing		492,641,849	543,210,769
Liabilities against assets subject to finance lease		3,636,822	1,813,184
Short term bank borrowings		661,934,199	732,294,334
		1,158,212,870	1,277,318,287

13. Short term bank borrowings

	Note	2016 Rupees	2015 Rupees
Secured			
Under mark up arrangements			
Export finances	13.2	4,329,016,481	5,049,749,812
Finance against trust receipts	13.2	18,304,000	18,304,000
Running finance	13.2	437,588,483	546,298,777
Murabaha finances	13.3	203,839,349	171,227,840
		4,988,748,313	5,785,580,429

13.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs. 177.402 million (2015: Rs. 224.248 million). Total sanctioned limits are Rs. 5.62 billion (2015: Rs. 6.41 billion) out of which limits of Rs. 4.99 billion (2015: Rs 5.58 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 pasu with the charges created in respect of long term financing (Refer Note 8.1) and murabaha finances (Refer Note 13.3). Export finances of Rs. 374.13 million (2015: Rs. 374.13 million) are also secured against equitable mortgage / deposit of title deeds of personal properties of directors and an associate. Un-expired loans are subject to mark up at the rate of one month KIBOR plus 0.5% per annum and three months KIBOR plus 0.5% per annum. Mark up charged on these loans during the year ranges from 4% to 10.99% per annum (2015: 7.28% 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 are subject to mark up at the rate of six months KIBOR plus 1% per annum. Mark up charged on these loans during the year ranges from 7.08% to 7.38% per annum (2015: 7.93% to 11.22% per annum).

	2016 Rupees	2015 Rupees
14. CONTINGENCIES		
Contingencies		
In respect of bank guarantees issued on behalf of the Company		
Sui Northern Gas Pipelines Limited for supply of gas	33,416,900	43,669,400
District Government against imposition of license fee	-	200,000
Demand of custom duty and sales tax not acknowledged in view of pending appeals	-	40,066,155
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	233,247
Demands of Employees' Old Age Benefits Institution and Punjab Employees' Social Security Institution are not acknowledged in view of pending litigation	37,018,122	53,329,599
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	1,677,835,786
Liability of Gas Infrastructure development cess not acknowledged in view of pending petitions	19,019,198	15,274,352
Cases are pending before Foreign Exchange adjudication officer, State Bank of Pakistan for non repatriation of export proceeds within prescribed times. The default may attract penalties. The financial impact cannot be determined at this stage	-	-
Certain lenders have filed cases for recovery of long term and short term finances with claim of cost of funds. The claim has not been acknowledged due to pending litigation. Amount of claim cannot be determined at this stage.	-	-

15. Property, plant and equipment

Operating assets

	Company owned											Under lease				
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Generators	Factory equipment	Furniture and fixture	Office equipment	Vehicles	Sign boards	Sub total	Building	Plant and machinery	Generators	Sub total	Total
	Rupees															
At July 01, 2014																
Cost / revaluation	2,188,053,750	2,056,718,631	6,724,458,650	313,061,502	442,400,000	76,475,185	39,066,209	83,184,411	33,245,082	525,248	11,957,188,668	7,405,200	211,268,114	65,966,667	284,639,981	12,241,828,649
Accumulated depreciation	-	(344,668,011)	(468,515,477)	(54,903,318)	(79,016,915)	(51,942,353)	(23,308,037)	(56,958,427)	(28,322,304)	(460,145)	(1,108,094,987)	(1,822,978)	(57,356,999)	(28,501,420)	(87,681,397)	(1,195,776,384)
Net book value	2,188,053,750	1,712,050,620	6,255,943,173	258,158,184	363,383,085	24,532,832	15,758,172	26,225,984	4,922,778	65,103	10,849,093,681	5,582,222	153,911,115	37,465,247	196,958,584	11,046,052,265
Year ended June 30, 2015																
Opening net book value	2,188,053,750	1,712,050,620	6,255,943,173	258,158,184	363,383,085	24,532,832	15,758,172	26,225,984	4,922,778	65,103	10,849,093,681	5,582,222	153,911,115	37,465,247	196,958,584	11,046,052,265
Additions	623,385	-	14,000	9,300	-	-	42,315	759,025	4,853,194	-	6,301,219	-	-	-	-	6,301,219
Transfer to leased assets:																
Cost	-	-	7,500,000	-	-	-	-	-	-	-	7,500,000	-	(7,500,000)	-	(7,500,000)	-
Accumulated depreciation	-	-	(2,036,169)	-	-	-	-	-	-	-	(2,036,169)	-	2,036,169	-	2,036,169	-
	-	-	5,463,831	-	-	-	-	-	-	-	5,463,831	-	(5,463,831)	-	(5,463,831)	-
Disposals:																
Cost	-	-	-	-	-	-	-	-	(2,430,546)	-	(2,430,546)	-	-	-	-	(2,430,546)
Accumulated depreciation	-	-	-	-	-	-	-	-	2,227,713	-	2,227,713	-	-	-	-	2,227,713
	-	-	-	-	-	-	-	-	(202,833)	-	(202,833)	-	-	-	-	(202,833)
Surplus on revaluation	3,207,865	75,438,885	94,255,327	16,229,233	20,385,069	-	-	-	-	-	209,516,379	-	-	-	-	209,516,379
Depreciation charge	-	(68,482,025)	(97,598,841)	(12,522,717)	(18,169,154)	(2,453,283)	(1,576,969)	(2,666,104)	(1,329,129)	(6,510)	(204,804,732)	(121,397)	(2,401,159)	(1,873,262)	(4,395,818)	(209,200,550)
Closing net book value	2,191,885,000	1,719,007,480	6,258,077,490	261,874,000	365,599,000	22,079,549	14,223,518	24,318,905	8,244,010	58,593	10,865,367,545	5,460,825	146,046,125	35,591,985	187,098,935	11,052,466,480
At July 01, 2015																
Cost / revaluation	2,191,885,000	1,719,007,480	6,258,077,490	261,874,000	365,599,000	76,475,185	39,108,524	83,943,436	35,667,730	525,248	11,032,163,093	7,405,200	203,768,114	65,966,667	277,139,981	11,309,303,074
Accumulated depreciation	-	-	-	-	-	(54,395,636)	(24,885,006)	(59,624,531)	(27,423,720)	(466,655)	(166,795,548)	(1,944,375)	(57,721,989)	(30,374,682)	(90,041,046)	(256,836,594)
Net book value	2,191,885,000	1,719,007,480	6,258,077,490	261,874,000	365,599,000	22,079,549	14,223,518	24,318,905	8,244,010	58,593	10,865,367,545	5,460,825	146,046,125	35,591,985	187,098,935	11,052,466,480
Year ended June 30, 2016																
Opening net book value	2,191,885,000	1,719,007,480	6,258,077,490	261,874,000	365,599,000	22,079,549	14,223,518	24,318,905	8,244,010	58,593	10,865,367,545	5,460,825	146,046,125	35,591,985	187,098,935	11,052,466,480
Additions	-	-	827,321	-	-	-	-	234,872	2,800,000	-	3,862,193	-	-	-	-	3,862,193
Disposals:																
Cost	-	-	-	-	-	-	-	-	(964,400)	-	(964,400)	-	-	-	-	(964,400)
Accumulated depreciation	-	-	-	-	-	-	-	-	778,003	-	778,003	-	-	-	-	778,003
	-	-	-	-	-	-	-	-	(186,397)	-	(186,397)	-	-	-	-	(186,397)
Depreciation charge	-	(68,760,299)	(97,719,793)	(10,474,960)	(18,279,950)	(2,207,955)	(1,422,352)	(2,439,079)	(1,735,287)	(5,859)	(203,045,534)	(121,397)	(2,280,207)	(1,779,599)	(4,181,203)	(207,226,737)
Closing net book value	2,191,885,000	1,650,247,181	6,161,185,018	251,399,040	347,319,050	19,871,594	12,801,166	22,114,698	9,122,326	52,734	10,665,997,807	5,339,428	143,765,918	33,812,386	182,917,732	10,848,915,539
At June 30, 2016																
Cost / revaluation	2,191,885,000	1,719,007,480	6,258,904,811	261,874,000	365,599,000	76,475,185	39,108,524	84,178,308	37,503,330	525,248	11,035,060,886	7,405,200	203,768,114	65,966,667	277,139,981	11,312,200,867
Accumulated depreciation	-	(68,760,299)	(97,719,793)	(10,474,960)	(18,279,950)	(56,603,591)	(26,307,358)	(62,063,610)	(28,381,004)	(472,514)	(369,063,079)	(2,065,772)	(60,002,196)	(32,154,281)	(94,222,249)	(463,285,328)
Net book value	2,191,885,000	1,650,247,181	6,161,185,018	251,399,040	347,319,050	19,871,594	12,801,166	22,114,698	9,122,326	52,734	10,665,997,807	5,339,428	143,765,918	33,812,386	182,917,732	10,848,915,539
Annual rate of depreciation (%)		4	-	-	05	10	10	10	20	10		-	-	05		

	Note	2016 Rupees	2015 Rupees
15.1 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	26.1	201,624,160	203,621,838
Administrative expenses	29	5,602,577	5,578,712
		207,226,737	209,200,550

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, 2016 and 2015 would have been as follows:

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
	8,378,320,219	3,022,480,736	5,355,839,483

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

15.3 Detail of disposals of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
	------------ Rupees ------------				
Vehicles (By negotiation)					
	350,000	223,126	126,874	180,000	Muhammad Shafaqat H # 1027/422, Street # 3, Barkat Pura, Faisalabad.
	614,400	554,877	59,523	200,000	Naseer Ud Din H # 627 D, Rehmania Chowk GM Abad, Faisalabad.
	964,400	778,003	186,397	380,000	193,603
2016	964,400	778,003	186,397	380,000	
2015	2,430,546	2,227,713	202,833	493,662	

	2016 Rupees	2015 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	399,677,004	401,633,981
Spares	22,595,317	23,067,985
Loose tools	1,030	1,030
	422,273,351	424,702,996

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

	2016 Rupees	2015 Rupees
18. Stock in trade		
Raw material	91,118,913	114,545,008
Work in process	110,851,081	159,979,228
Finished goods	130,814,399	168,598,634
Waste	1,873,469	2,247,304
	334,657,862	445,370,174

18.1 Stock in trade Nil (2015: Rs. 32.927 million) is at net realizable value.

	2016 Rupees	2015 Rupees
19. Trade debts		
Considered good		
Secured		
Foreign	7,236,655	8,708,209
Unsecured		
Foreign	1,656,551,224	1,558,518,981
Local	42,330,797	146,309,583
	1,698,882,021	1,704,828,564
	1,706,118,676	1,713,536,773
20. Loans and advances		
Considered good		
Loans to employees		
Executives	265,000	385,000
Others	482,249	31,000
Advances		
Suppliers / contractors	28,089,239	34,148,446
Income tax	13,137,611	17,295,732
	41,974,099	51,860,178

	Note	2016 Rupees	2015 Rupees

21. Deposits and prepayments

	Note	2016 Rupees	2015 Rupees
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		245,642	415,763
		12,495,014	12,665,135

22. Other receivables

	Note	2016 Rupees	2015 Rupees
Export rebate / duty drawback		26,332,551	20,797,826
Excise duty		2,448,852	3,932,395
		28,781,403	24,730,221

23. Tax refunds due from Government

	Note	2016 Rupees	2015 Rupees
Sales tax		17,022,632	19,831,683
Income tax		18,577,544	13,736,536
		35,600,176	33,568,219

24. Cash and bank balances

	Note	2016 Rupees	2015 Rupees
Cash in hand		3,836,529	4,567,641
Cash at banks			
In current accounts		20,395,095	22,733,299
		24,231,624	27,300,940

25. Sales

	Note	2016 Rupees	2015 Rupees
Export			
Fabrics / made ups / garments	25.1	715,948,196	725,223,495
Add: Export rebate / duty drawback		15,026,715	5,163,732
		730,974,911	730,387,227
Less:			
Commission		7,867,527	4,373,065
Discount		493,799	3,279,358
		8,361,326	7,652,423
		722,613,585	722,734,804
Local			
Yarn		791,170,873	961,732,888
Fabrics / made ups		252,426,862	242,586,789
Processing, conversion and stitching charges		241,421,082	286,791,640
		1,285,018,817	1,491,111,317
		2,007,632,402	2,213,846,121

25.1 It includes exchange gain of Rs 974,631 /- (2015: Rs. 1,599,549/-).

	Note	2016 Rupees	2015 Rupees
26. Cost of sales			
Cost of goods manufactured	26.1	2,220,999,137	2,325,217,512
Finished goods			
Opening stock		170,845,938	421,287,623
Closing stock		(132,687,868)	(170,845,938)
		38,158,070	250,441,685
Cost of sales		2,259,157,207	2,575,659,197
26.1 Cost of goods manufactured			
Raw material consumed	26.1.1	1,177,989,578	1,209,527,114
Salaries, wages and benefits		231,413,380	270,575,641
Staff retirement benefits		32,412,674	25,599,541
Stores and spares		94,163,226	117,486,496
Dyes and chemicals		39,593,424	74,762,164
Packing material		61,434,252	62,885,455
Repairs and maintenance		5,399,749	13,684,421
Fuel and power		181,136,817	245,100,117
Insurance		2,343,681	2,254,750
Depreciation	15.1	201,624,160	203,621,838
Other		144,360,049	122,140,309
		2,171,870,990	2,347,637,846
Work in process			
Opening stock		159,979,228	137,558,894
Closing stock		(110,851,081)	(159,979,228)
		49,128,147	(22,420,334)
		2,220,999,137	2,325,217,512
26.1.1 Raw material consumed			
Opening stock		114,545,008	57,082,186
Purchases including purchase expenses		1,154,563,483	1,266,989,936
		1,269,108,491	1,324,072,122
Closing stock		(91,118,913)	(114,545,008)
		1,177,989,578	1,209,527,114
27. Other income			
Income from assets other than financial assets:			
Sale of waste material		2,525,453	1,982,007
Rental income		9,846,688	9,150,625
Gain on disposal of operating assets		193,603	290,829
Balances written back - net		139,757,726	144,045,084
		152,323,470	155,468,545
28. Selling and distribution expenses			
Advertisement and publicity		84,024	292,500
Carriage and freight		8,170,713	15,099,718
Export clearing and forwarding		7,707,325	6,972,201
Export development surcharge		1,468,220	1,844,006
Other		1,600,788	4,118,697
		19,031,070	28,327,122

	Note	2016 Rupees	2015 Rupees

29. Administrative expenses

	Note	2016 Rupees	2015 Rupees
Directors' remuneration		3,900,000	4,800,000
Salaries and benefits		65,215,089	67,505,412
Staff retirement benefits		8,103,168	9,858,354
Electricity		564,635	427,224
Postage, telephone and telex		3,552,510	3,181,756
Vehicles running and maintenance		11,212,432	12,910,564
Travelling and conveyance		14,765,933	14,347,102
Printing and stationery		1,984,371	1,831,975
Entertainment		5,564,429	4,344,696
Fees and subscriptions		1,737,695	2,130,688
Legal and professional		7,568,000	3,670,053
Rent, rates and taxes		1,406,790	1,084,733
Auditors' remuneration	29.1	726,000	726,000
Repairs and maintenance		551,171	1,110,637
Depreciation	15.1	5,602,577	5,578,712
Insurance		122,140	27,282
Other		154,670	296,653
		132,731,610	133,831,841

29.1 Auditors' remuneration

		2016 Rupees	2015 Rupees
Audit fee		500,000	500,000
Sundry services		176,000	176,000
Out of pocket expenses		50,000	50,000
		726,000	726,000

30. Finance cost

	Note	2016 Rupees	2015 Rupees
Interest / mark up on:			
Long term financing	30.1	70,379,162	57,450,342
Liabilities against assets subject to finance lease		2,628,262	3,199,818
Short term bank borrowings	30.1	47,435,788	33,283,619
Bank charges and commission		7,822,614	4,387,209
		128,265,826	98,320,988

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

	Note	2016 Rupees	2015 Rupees
Current			
For the year		10,473,466	12,282,385
For prior years		-	278,384
Deferred	31.1	-	-
		10,473,466	12,560,769

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 .

		2016	2015
32. (Loss) per share- Basic and diluted			
(Loss) for the year	Rupees	(389,703,307)	(479,385,251)
Weighted average number of ordinary shares outstanding during the year	Numbers	115,000,000	115,000,000
(Loss) per share- Basic and diluted	Rupees	(3.39)	(4.17)

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

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2016			2015		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Remuneration	1,600,000	1,000,000	5,746,148	1,600,000	1,600,000	5,995,046
House rent allowance	480,000	300,000	1,845,182	480,000	480,000	1,941,460
Medical allowance	160,000	100,000	574,609	160,000	160,000	599,507
Utility allowance	160,000	100,000	453,281	160,000	160,000	544,507
	2,400,000	1,500,000	8,619,220	2,400,000	2,400,000	9,080,520
Number of persons	1	2	5	1	2	6

33.1 The Chief Executive Officer and Directors are entitled to free use of Company maintained vehicles. The monetary value is Rs. 2,311,499/- (2015: Rs. 2,549,457/-). 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	
		2016	2015	2016	2015
Fabric	Mtrs	9,000,000	9,000,000	1,550,872	1,615,983
Made ups	Mtrs	59,000,000	59,000,000	1,294,646	855,902
Garments	Mtrs	3,500,000	3,500,000	691,778	760,081

Reasons for shortfall

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

36. NUMBER OF EMPLOYEES

	2016	2015
Total number of employees as at June 30,	1,696	2,139
Average number of employees for the year	1,729	2,146

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

37.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2016 Rupees	2015 Rupees
Financial assets:		
Loans and receivables at amortised cost		
Trade debts	1,706,118,676	1,713,536,773
Loans and advances	747,249	416,000
Deposits	25,131,782	25,301,903
Cash and bank balances	24,231,624	27,300,940
	1,756,229,331	1,766,555,616
Financial liabilities:		
Financial liabilities at amortised cost		
Long term financing	5,078,672,738	4,677,814,465
Liabilities against assets subject to finance lease	32,374,140	32,374,140
Trade and other payables	1,049,536,244	999,239,911
Interest / markup payable	1,158,212,870	1,277,318,287
Short term bank borrowings	4,988,748,313	5,785,580,429
	12,307,544,305	12,772,327,232

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 72.75% (2015: 79.00%) of the total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2016 Rupees	2015 Rupees
Trade debts	1,706,118,676	1,713,536,773
Loans and advances	747,249	416,000
Deposits	25,131,782	25,301,903
Bank balances	20,395,095	22,733,299
	1,752,392,802	1,761,987,975

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:

	2016 Rupees	2015 Rupees
Alam B.V. Raaigars Holland	428,190,433	428,190,433
C.G.I. Limited U.A.E	810,018,564	824,686,972
Chenone Stores Limited	2,983,875	103,403,410
Other customers	464,925,804	357,255,958
	1,706,118,676	1,713,536,773
The aging of trade debts as at balance sheet date is as under:		
Not past due	175,312,556	181,142,437
Past due within one year	6,292,115	2,281,194
Past due over one year	1,524,514,005	1,530,013,919
	1,530,806,120	1,532,295,113
	1,706,118,676	1,713,437,550

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, 2016 and 2015;

	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

	2015					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees in '000'					
Financial liabilities:						
Long term financing	4,749,554	5,565,884	2,549,253	129,408	826,541	2,060,682
Liabilities against assets subject to finance lease	32,374	39,448	10,978	2,400	26,070	-
Trade and other payables	999,240	999,240	999,240	-	-	-
Short term bank borrowings	5,785,580	5,802,195	5,802,195	-	-	-
Interest / markup payable	1,963,485	1,963,485	1,277,318	-	186,549	499,618
	13,530,233	14,370,252	10,638,984	131,808	1,039,160	2,560,300

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. 20.110 million (2015: Rs. 19.390 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.1,747.806/- million (2015: Rs. 1,651.053 million).

At June 30, 2016, 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 82.60 million (2015: Rs. 75.50 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, 2016 and 2015 were as follows:

	Note	2016 Rupees	2015 Rupees
Total debt	8, 9 & 13	9,834,982,105	10,282,792,473
Total equity		(5,588,895,182)	(5,244,931,218)
Total capital employed		4,246,086,923	5,037,861,255

37.5 Overdue loans and mark up

On the reporting date, the installments of long term financing amounting to Rs.2,526.130 million (2015: Rs.2,388.804 million) along with mark up of Rs.492.642 million (2015: Rs. 543.211 million), lease finances amounting to Rs.13.378 million (2015: Rs. 8.578 million) along with mark up of Rs.3.637 million (2015: Rs.1.813 million) and short term borrowings amounting to Rs. 4,666.650 million (2015: Rs. 5,572.058 million) along with mark up of Rs.661.934 million (2015: Rs. 732.294 million) were over due.

On reporting date, the carrying amount of loans relevant to above overdues were long term financing Rs. 4,111.717 million (2015: Rs.4,177.001), lease finances Rs. 32.374 million (2015: Rs.32.374 million) and short term borrowings Rs. 4,987.890 million (2015: Rs. 5,785.580 million).

Subsequently company has executed an agreement with one of the lender to restructure the loans. As per agreement outstanding loan of Rs. 1242.168 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 **10 October 2016**. by the Board of Directors of the Company.

39. DIVIDEND FOR CUMULATIVE PREFERENCE SHARES

The dividend for cumulative preference shares amounting to Rs.296.258million (2015: 330.380 million) will be accumulated and payable in the ensuing years when the sufficient amount of profit will be available for appropriation.

40. GENERAL

40.1 RE-ARRANGEMENTS

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

"Deferred revenue " amounting Rs. 19,903,475/- were included under the head of "Deferred liabilities". These have been disclosed as a separate line item on the face of the Balance Sheet.

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

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

MUHAMMAD NAEEM
(DIRECTOR)

Form 34

Pattern of Holding of Ordinary Shares
Held by Shares Holders as at June 30, 2016

Share Holders	From	To	Total Shares
94	1	100	3,722
454	101	500	214,492
242	501	1,000	238,931
479	1,001	5,000	1,540,562
155	5,001	10,000	1,326,764
69	10,001	15,000	912,488
43	15,001	20,000	810,500
24	20,001	25,000	578,000
27	25,001	30,000	774,000
10	30,001	35,000	333,000
15	35,001	40,000	581,394
12	40,001	45,000	532,785
23	45,001	50,000	1,138,223
11	50,001	55,000	581,059
1	55,001	60,000	56,504
4	60,001	65,000	246,007
2	65,001	70,000	140,000
4	70,001	75,000	300,000
4	75,001	80,000	313,500
2	80,001	90,000	168,500
8	90,001	100,000	780,000
2	100,001	110,000	209,000
3	110,001	125,000	359,500
2	125,001	140,000	259,500
2	140,001	150,000	292,000
6	150,001	170,000	976,500
3	190,001	200,000	595,000
4	200,001	250,000	869,000
2	255,001	300,000	575,000
4	300,001	400,000	1,328,636
1	480,001	500,000	482,000
1	625,001	630,000	630,000
1	745,001	750,000	750,000
1	875,001	880,000	879,500
1	1,100,001	1,200,000	1,147,500
1	1,550,001	1,600,000	1,600,000
1	2,000,001	2,100,000	2,082,483
2	2,500,001	3,000,000	5,405,545
1	3,500,001	3,550,000	3,502,834
1	3,605,001	3,650,000	3,608,218
1	4,100,001	4,150,000	4,103,556
1	6,000,001	6,200,000	6,138,587
1	7,000,001	7,500,000	7,459,184
1	8,000,001	8,500,000	8,416,948
1	14,500,001	15,000,000	14,876,483
1	16,500,001	17,000,000	16,681,483
1	20,000,001	20,500,000	20,201,112
1729			**115,000,000**

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

Categories of Shareholders

Categories of Shareholders		Number	Share held	Percentage
Directors, Chief Executive and their spouse, children				
Mian Muhammad Latif	Chief Executive Officer	1	16,681,483	14.51
Mian Muhammad Javaid Iqbal	Director	1	14,876,483	12.94
Mr.Muhammad Naeem	Director	1	20,201,112	17.57
Mr.Muhammad Faisal Latif	Director	1	2,813,545	2.45
Mr.Muhammad Farhan Latif	Director	1	8,416,948	7.32
Mr.Muhammad Zeeshan Latif	Director	1	6,138,587	5.34
Mst.Shahnaz Latif	Director	1	7,459,184	6.49
Mst.Tehmina Yasmin	Spouse	1	44,285	0.04
Mst.Prveen Akthar	Spouse	1	1,838	0.00
Mr Umair Javaid	Son	1	6,519	0.01
Financial Institutions,Insurance Companies,Investment Companies, Joint Stock Companies ,Leasing Companies,Mutual Fund & etc.				
Investment Companies		1	25,000	0.02
Joint Stock Companies		12	945,895	0.82
Others		2	6,695,556	5.82
Individuals		1704	30,693,565	26.69
		1729	**115,000,000**	**100.00**

Form 34

Pattern of Holding of Preference Shares
Held by Shares Holders as at June 30,2016

ShareHolders	From	To	Total Shares
37	1	100	1,022
585	101	500	289,618
64	501	1,000	62,336
234	1,001	5,000	758,372
128	5,001	10,000	1,107,003
57	10,001	15,000	751,000
45	15,001	20,000	861,400
37	20,001	25,000	
27	25,001	30,000	762,500
17	30,001	35,000	567,029
17	35,001	40,000	655,656
9	40,001	45,000	386,501
20	45,001	50,000	987,000
12	50,001	55,000	641,000
9	55,001	60,000	523,500
4	60,001	65,000	315,000
3	65,001	70,000	206,000
18	70,001	80,000	1,363,500
6	80,001	90,000	501,000
17	90,001	100,000	1,669,000
22	100,001	150,000	2,897,140
13	150,001	200,000	2,409,866
3	200,001	250,000	682,000
6	250,001	300,000	1,676,500
6	300,001	400,000	2,067,000
5	400,001	600,000	2,279,500
2	600,001	800,000	1,364,000
3	800,001	1,000,000	2,796,500
1	1,000,001	1,100,000	1,100,000
1	1,200,001	1,300,000	1,250,000
1	2,500,001	3,000,000	2,718,420
1	3,000,001	3,200,000	3,112,637
3	9,995,001	10,000,000	30,000,000
1	12,355,001	12,360,000	12,357,000
1414			**80,000,000**

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

Sharesholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Son of Director	1	886,000	1.11
Financial Institutions	5	43,357,000	54.20
Joint Stock Companies	5	325,001	0.41
Others	1	3,112,637	3.89
Individuals	1402	32,319,362	40.40
	1414	**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 32st Annual General Meeting of the Company to be held on October 30, 2016, and at any adjournment thereof.

Signed this _____________ day of ______________2016.

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 _________________

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).