Al Nasr Textiles Limited

Financial Statements for the year ended
30 June 2015

KPMG Taseer Hadi & Co.
Chartered Accountants
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Auditor's Report to the Members

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

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of 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;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

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

KPMG Taseer Hadi & Co.

Date: 09 October 2015

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(M. Rehan Chugtai)

The Directors of **Al Nasr Textiles Limited** are pleased to present the Annual report along with Audited Financial Statements for the year ended 30th June, 2015.

FINANCIAL HIGHLIGHTS

Comparison of Audited result for the year ended June 30th, 2015 as against June 30th, 2014 is as follows:

	30.06.2015 (Rs.)	**30.06.2014** (Rs.)
Sales (Net)	3,258,540,854	3,468,642,494
Gross Profit	231,848,871	387,112,742
Profit before taxation	44,480,810	178,914,085
Taxation	(13,935,779)	(49,719,488)
Profit after taxation	30,545,031	129,194,597
Total Comprehensive Income for the year	29,162,015	135,761,545
Un-appropriated Profit/ (Loss) brought forward	875,764,887	740,003,342
Un-appropriated Profit carried forward	**904,926,902**	**875,764,887**
Earnings per Share	**0.89**	**3.78**

COMPANY PERFORMANCE

During the year, your c ompany earned a pre-tax Profit of Rs. 44,480,810 as against a pre-tax Profit of Rs. 178,914,085 in the last financial year representing 75 % year on year decrease. The Gross Profit Margin decreased by 20 % as compared to F/Y 2014. The major factor for this decrease was an international slump in commodity prices due to a global decrease in the demand for yarn. The increased productivity and availability of subsidized imported yarn on competitive rates from India and the decreased demand abroad for local yarn further decreased the yarn prices locally. Major components of conversion cost kept on increasing throughout the year owing to general inflationary trends. Partial increase in conversion cost was offset by achieving higher production efficiency. Your company earned a profit after tax of Rs. 29,162,015 as compared to last year's profit after tax of Rs. 135,761,545 (F/Y 2014) which represents 78 % year on year decrease.

Head office: 29 Shadman-II, Lahore, Pakistan. **Phone:** +92 42-111-888-600 **Fax:** +92 42-37421469
E-Mail: yarn@pakkuwait.com **Web Site:** www.pakkuwait.com
Factory: 5 Km Raiwind - Manga Road, District Kasur. **Phone:** +92 42-35391141, 35392064 **Fax:** +92 42-35391140

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BALANCING MODERNIZATION & REPLACEMENT (BMR)

Addition to Plant & Machinery was made during the year ended 30th June, 2015. These additions will ensure the production of high quality yarn in the future. The details of the machines acquired are as follows:

- Upgradation of Vision Shieds for non-lint contaminants
- Combing Machines
- Upgradation of Auto Cone Machinery
- Uster Quantum Clearer

FUTURE PROSPECTS

Currently Cotton prices are extremely volatile, efforts are being made to procure cotton at reasonable rates in order to maintain profitability to a reasonable level during the current year. Due to continuous increase in the conversion cost and minimum wage announced by the Government, the production cost of the Company will increase in the next year. The yarn rates have been depressed, which would adversely impact the profitability of the year 2015 / 2016.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on 30 June 2015, as required under Section 236(2) (d) of the Companies Ordinance 1984, is annexed.

AUDITORS

M/S KPMG Taseer Hadi & Co., Chartered Accountants, retires and being eligible, offers themselves for reappointment as Company's auditors for the year ending 30 June 2016.

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ACKNOWLEDGEMENT

The directors acknowledge the efforts made by Company's employees at all levels during the year under review and expect continued endeavors for the achievement of improved results in the current year as well.

For and on behalf of the Board of Directors

(TARIQ MEHMOOD)
Chief Executive

Lahore
09 October 2015

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Al Nasr Textiles Limited

Balance Sheet

As at 30 June 2015

	Note	2015 Rupees	2014 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 40,000,000 (2014: 40,000,000) ordinary shares of Rs. 10 each		**400,000,000**	400,000,000
Issued, subscribed and paid-up capital	5	**342,000,000**	342,000,000
Accumulated profit		**904,926,902**	875,764,887
		1,246,926,902	1,217,764,887
Non-current liabilities			
Long term financing - secured	6	**175,409,775**	279,768,192
Liabilities against assets subject to finance lease	7	-	583,271
Deferred liabilities	8	**170,607,468**	179,581,678
		346,017,243	459,933,141
Current liabilities			
Current portion of long term liabilities	9	**104,776,859**	94,696,482
Short term borrowings - secured	10	**455,410,490**	500,048,594
Trade and other payables	11	**162,940,538**	131,864,036
Mark-up accrued	12	**16,184,467**	31,683,908
		739,312,354	758,293,020
		2,332,256,499	2,435,991,048
Contingencies and commitments	13		

	Note	2015 Rupees	2014 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1,212,790,940**	1,253,048,247
Intangibles	15	**1,282,531**	1,677,155
Capital work in progress	16	**3,082,538**	15,615,950
Long term deposits	17	**6,777,600**	6,684,000
		1,223,933,609	1,277,025,352
Current assets			
Stores, spare parts and loose tools	18	**42,427,662**	37,958,193
Stock in trade	19	**688,957,485**	875,368,224
Trade debts	20	**91,070,146**	139,690,863
Advances, deposits and prepayments	21	**76,092,052**	42,259,974
Other receivables		**25,931,982**	4,311,320
Advance tax - net		**74,385,220**	52,722,114
Cash and bank balances	22	**109,458,343**	6,655,008
		1,108,322,890	1,158,965,696
		2,332,256,499	2,435,991,048

The annexed notes from 1 to 35 form an integral part of these financial statements.

Lahore 09 OCT 2015

Chief Executive

Director

Al Nasr Textiles Limited
Profit and Loss Account
For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	23	**3,258,540,854**	3,468,642,494
Cost of sales	24	**(3,026,691,983)**	(3,081,529,752)
Gross profit		**231,848,871**	387,112,742
Administrative expenses	25	**(23,525,854)**	(25,809,978)
Distribution cost	26	**(40,413,672)**	(46,618,669)
		(63,939,526)	(72,428,647)
		167,909,345	314,684,095
Finance cost	27	**(114,314,341)**	(134,067,550)
		53,595,004	180,616,545
Other income	28	**213,161**	20,642,636
Other expenses	29	**(9,327,355)**	(22,345,096)
Profit before taxation		**44,480,810**	178,914,085
Taxation	30	**(13,935,779)**	(49,719,488)
Profit after taxation		**30,545,031**	129,194,597

The annexed notes from 1 to 35 form an integral part of these financial statements.

Lahore 09 OCT 2015

Chief Executive

Director

Al Nasr Textiles Limited

Statement of Comprehensive Income

For the year ended 30 June 2015

	2015 Rupees	2014 Rupees
Profit after taxation	**30,545,031**	129,194,597
Other comprehensive income		
Items that will never be reclassified to profit and loss account		
Remeasurement of defined benefit obligation	**(1,764,051)**	8,441,241
Related deferred tax	**381,035**	(1,874,293)
	(1,383,016)	6,566,948
Total comprehensive income for the year	**29,162,015**	135,761,545

The annexed notes from 1 to 35 form an integral part of these financial statements.

Lahore 09 OCT 2015

Chief Executive

Director

Al Nasr Textiles Limited

Cash Flow Statement

For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
Cash flows from operating activities			
Profit before taxation		44,480,810	178,914,085
Adjustments for:			
Depreciation	14	86,767,672	82,515,713
Amortisation	15	394,624	295,967
Finance cost		113,427,018	134,067,550
Loss on disposal of property, plant and equipment		-	8,878,444
Provision for doubtful debts		-	5,285,845
Provision for Worker's Profit Participation Fund		3,300,153	9,619,037
Provision for Worker's Welfare Fund		1,362,966	3,847,615
Staff retirement benefits		10,368,490	12,333,958
		215,620,923	256,844,129
Cash generated from operations before working capital changes		260,101,733	435,758,214
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets:			
Trade debts		48,620,717	134,502,979
Stores, spare parts and loose tools		(4,469,469)	1,143,141
Stock in trade		186,410,739	(100,091,945)
Advances deposits and prepayments		(33,832,078)	1,553,103
Other receivables		(21,620,662)	(2,240,483)
Increase/(decrease) in current liabilities:			
Trade and other payables		40,767,358	(6,429,658)
		215,876,605	28,437,137
Cash generated from operations		475,978,338	464,195,351
Finance cost paid		(128,926,459)	(126,999,278)
Staff retirement benefits paid		(9,563,493)	(5,931,887)
Worker's Profit Participation Fund paid		(10,506,360)	(18,434,140)
Worker's Welfare Fund paid		(3,847,615)	(2,418,025)
Long term deposits paid		(93,600)	-
Taxes paid		(46,761,108)	(56,854,306)
		(199,698,635)	(210,637,636)
Net cash generating from operating activities		276,279,703	253,557,715
Cash flows from investing activities			
Capital expenditure incurred		(33,976,953)	(291,923,444)
Sale proceeds of property, plant and equipment		-	8,331,131
Short term investments		-	13,347,818
Net cash outflows from investing activities		(33,976,953)	(270,244,495)
Cash flows from financing activities			
Long term loans - net		(94,099,513)	82,406,168
Payment of finance lease liabilities		(761,798)	(2,921,299)
Net movement in short term borrowings - secured		(24,444,566)	(100,616,202)
Net cash outflows from financing activities		(119,305,877)	(21,131,333)
Net increase/(decrease) in cash and cash equivalents		122,996,873	(37,818,113)
Cash and cash equivalents at beginning of the year		(22,828,442)	14,989,671
Cash and cash equivalents at end of the year		100,168,431	(22,828,442)

Cash and cash equivalents comprise of the following:

	Note	2015 Rupees	2014 Rupees
Cash and bank balances	22	109,458,343	6,655,008
Running finance	10	(9,289,912)	(29,483,450)
		100,168,431	(22,828,442)

The annexed notes from 1 to 35 form an integral part of these financial statements.

Lahore 09 OCT 2015

Chief Executive

Director

Al Nasr Textiles Limited

Statement of Changes in Equity

For the year ended 30 June 2015

	Share capital	Accumulated profit	Total
	------------------------------	Rupees	------------------------------
Balance as at 30 June 2013	342,000,000	740,003,342	1,082,003,342
Total comprehensive income for the year			
Profit for the year ended 30 June 2014	-	129,194,597	129,194,597
Other comprehensive income for the year ended 30 June 2014	-	6,566,948	6,566,948
	-	135,761,545	135,761,545
Balance as at 30 June 2014	342,000,000	875,764,887	1,217,764,887
Total comprehensive income for the year			
Profit for the year ended 30 June 2015	-	30,545,031	30,545,031
Other comprehensive income for the year ended 30 June 2015	-	(1,383,016)	(1,383,016)
	-	29,162,015	29,162,015
Balance as at 30 June 2015	**342,000,000**	**904,926,902**	**1,246,926,902**

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The annexed notes from 1 to 35 form an integral part of these financial statements.

Lahore 09 OCT 2015

Chief Executive

Director

1 Reporting entity

Al Nasr Textiles Limited ("the Company") was incorporated in Pakistan in July 2001 as a public limited company (unquoted) under Companies Ordinance, 1984. The Company is a subsidiary of Pak Kuwait Textiles Limited (the parent company), which holds 96.84% of total paid-up share capital of the Company. The principal activity of the Company is manufacturing and sale of 100% cotton yarn. The registered address of the Company is 29-Shadman II, Lahore, Pakistan.

2 Statement of compliance

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

3 Standards, amendments and interpretations and forth coming requirements

3.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the financial statements of the Company.

3.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015. The Company either does not expect to have any effect or any material / significant effect on its accounting policy due to their application when become effective other than increase in disclosures, if any.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based Amortisation for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its

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involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The management is currently considering the effect of the new standard.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3.3 Basis of measurement

These financial statements have been prepared on the historical cost convention.

3.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupee ("Rs.") which is the Company's functional currency. All financial information presented in Rupees has been rounded off to the nearest rupee, unless otherwise stated.

3.5 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards 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 judgment about carrying value 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 a continuous basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future periods affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

3.5.1 ***Property, plant and equipment***

The Company reviews the useful lives and residual value of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3.5.2 ***Intangibles***

The Company reviews the rate of amortisation and value of intangible assets for possible impairment, on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortisation charge and impairment.

3.5.3 ***Stores, spare parts, loose tools and stock in trade***

The Company reviews the stores, spare parts, loose tools and stock in trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spare parts and loose tools and stock in trâde with a corresponding affect on the provision and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.5.4 ***Provision against trade debts, advances and other receivables***

The Company reviews the recoverability of its trade debts, advances and other receivables to assess impairment and provision required there against on annual basis.

3.5.5 ***Provisions***

Estimates of the amount of provisions recognized are based on current legal and constructive requirements. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

3.5.6 ***Impairment***

The management of the Company reviews carrying amounts of its assets including receivables and advances and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

3.5.7 *Taxation*

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.5.8 *Employee benefits*

The present value of the obligation for gratuity depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge for the year include the discount rate, expected increase in eligible salary and mortality rate. Any changes in these assumptions will impact the carrying amount of obligations for gratuity.

4 Significant accounting policies

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

4.1 Taxation

Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

The Company takes into account the current income tax laws as well as the decisions taken by appellate authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Company also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

Deferred

Deferred tax is recognized using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.2 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Provision is made annually on the basis of actuarial recommendation to cover obligation under the scheme. Actuarial valuation of the scheme is undertaken at appropriate regular intervals and the latest valuation was carried out at 30 June 2015, using the "Projected Unit Credit Method".

Remeasurement of net defined benefit liability, which comprise of actuarial gains and losses is recognized immediately in other comprehensive income. The Company determines net interest expense/(income) on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss.

4.3 Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instruments.

Financial assets are de-recognized when the Company looses control of the contractual rights that comprise the financial assets.

Financial liabilities are de-recognized when they are extinguished, that is, when the obligation specified in the contract is extinguished, cancelled, or expired. Any gain or loss on de-recognizing of the financial assets and financial liabilities is taken to profit and loss account currently.

The particular measurement methods adopted for various financial instruments are disclosed in the individual policy statements associated with each item.

4.4 Financial liabilities

Financial liabilities are classified according to substance of contractual arrangements entered into. Significant financial liabilities include short and long term borrowings, liabilities against assets subject to finance lease and trade and other payables.

Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost, if any. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

Other financial liabilities

All other financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

4.5 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

4.6 Property, plant and equipment

Owned

Property, plant and equipment except freehold land and capital work in progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Depreciation is charged to profit and loss by applying the reducing balance method at rates indicated in note 14 to these financial statements. Cost comprises purchase price, including duties and non refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection or installation.

Depreciation on additions to property, plant and equipment is charged on full month basis when asset is capitalized, while no depreciation is charged in the month of disposal.

Major repairs and maintenance, which enhances the production capacity, quality of the premium products and increase the life of machinery, are capitalized, whereas, normal repairs and maintenance are charged to income as and when incurred.

Gain or loss arising on disposal of assets is included in the other income currently.

Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in the course of construction and installation including material, labour and overheads directly relating to the project. Transfers are made to relevant category of property, plant and equipment as and when assets are available for use. Capital work in progress is stated at cost, less any identified impairment loss.

Leased

Assets subject to finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under the lease agreements and the fair value of leased assets acquired. Depreciation is provided on reducing balance method, on full month basis starting from the month of capitalization, by using the rates specified in note 14. The finance cost is calculated at the interest rates implicit in the lease and are charged to profit and loss.

4.7 Intangibles

Intangible assets having finite useful life are stated at cost less accumulated amortisation and any identified impairment loss. These are amortized using the straight line method at the rates given in note 15. Amortisation on additions is charged from the month in which an intangible asset is acquired, while no amortisation is charged for the month in which intangible asset is disposed off.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

4.8 Stores, spare parts, loose tools and stock in trade

These are valued at lower of cost or net realizable value. Cost has been determined as follows:

Stores, spare parts and loose tools.	At moving average cost.
Raw material	At moving average cost.
Work in process	At average manufacturing cost.
Finished goods	At average manufacturing cost.

Items in transit, are valued at cost comprising invoiced value and related expenses.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

4.9 Trade debts

Receivables are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.10 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 comprise of cash in hand and bank balances. Running finances that are repayable on demand are included as component of cash and cash equivalents for the purpose of cash flow statement.

4.11 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax.

Revenue from sale of goods is recognized when the risks and rewards incidental to the ownership are transferred to the buyer, and when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

Mark up income is accrued on a time basis, by reference to the principal outstanding and at the agreed mark up rate applicable.

Dividend income is recognized when the right to receive payment is established.

4.12 Foreign currencies

Foreign currency transactions are converted into Pak Rupees using the exchange rates prevailing on the date of transaction while monetary assets and liabilities are converted into Pak Rupees using the exchange rates prevailing at the balance sheet date. All exchange differences are charged to profit and loss account.

4.13 Borrowing costs

Borrowings and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take 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 ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

4.14 Provisions and contingencies

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of 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 current best estimate. Where the outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

4.15 Impairment losses

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed through profit and loss account if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed though profit and loss; otherwise it is reversed through other comprehensive income.

Non financial assets

The carrying amount of the Company's non-financial assets except for, inventories and deferred tax asset, are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets of cash generating units.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of cash generating unit.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged.

	2015	2014
	Rupees	Rupees
5 Issued, subscribed and paid-up capital		
34,200,000 (2014: 34,200,000) ordinary shares of Rs. 10 each fully paid in cash	**342,000,000**	342,000,000

5.1 Pak Kuwait Textiles Limited, the Parent Company, holds 33,119,000 (2014: 33,119,000) ordinary shares of Rs. 10 each of the Company.

5.2 Directors hold 445,831 (2014: 445,831) ordinary shares of Rs. 10 each of the Company.

6 **Long term financing - secured**

Banking Companies	2015 Rupees	2014 Rupees	Rate Per annum	Number of remaining installments	Salient features
Faysal Bank Limited (FBL)					
FBL LTF(4.97 - Million)	**2,797,026**	4,040,154	6M KIBOR+2.5%	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 23 August, 2017. Remaining 9 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement (BMR). Loan has sanctioned limit of Rs. 50 Million . This facility is secured by way of first pari passu charge to the extent of Rs. 425 Million over present and future fixed assets of the Company.
FBL LTF (20.718 - Million)	**11,653,923**	16,833,447	6M KIBOR+2.5%	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 27 August, 2017. Remaining 9 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 50 Million. This facility is secured by way of first pari passu charge to the extent of Rs.425 Million over present and future fixed assets of the Company.
FBL LTF (21.934 - Million)	**13,709,246**	19,192,950	6M KIBOR+2.5%	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 8 October, 2017. Remaining 10 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 50 Million. This facility is secured by way of first pari passu charge to the extent of Rs.425 Million over present and future fixed assets of the Company
FBL LTF (2.37 - Million)	**1,484,130**	2,077,782	6M KIBOR+2.5%	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 11 October, 2017. Remaining 10 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 50 Million. This facility is secured by way of first pari passu charge to the extent of Rs.425 Million over present and future fixed assets of the Company
FBL DMF (8.98 - Million)	**6,180,463**	8,460,953	6M KIBOR+2.5%	The loan is repayable in 16 equal quarterly installments ending on 31 January, 2018. Remaining 11 installments are to be paid till maturity pf agreement	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 40 Million. This facility is secured by way of first pari passu charge to the extent of Rs.425 Million over present and future fixed assets of the Company
FBL DMF (23.89 - Million)	**17,916,371**	23,888,493	6M KIBOR+2.5%	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 9 May, 2018. Remaining 12 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 40 Million. This facility is secured by way of first pari passu charge to the extent of Rs.425 Million over present and future fixed assets of the Company

Banking Companies	2015 Rupees	2014 Rupees	Rate Per annum	Number of remaining installments	Salient features
FBL LTF (19.144 - Million)	**11,965,000**	16,751,000	3M KIBOR+2.5%	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 2 November, 2017. Remaining 10 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 20 Million. This facility is secured by way of first pari passu charge to the extent of Rs.425 Million over present and future fixed assets of the Company.
FBL DMF (56.814 - Million)	**46,161,994**	56,814,762	6M KIBOR+2.5%	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 17 September, 2018. Remaining 13 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 70 Million. This facility is secured by way of first pari passu charge to the extent of Rs.425 Million over present and future fixed assets of the Company.
FBL DMF (17.773 - Million)	**17,773,415**	17,773,415	6M KIBOR+1.5 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 28 May, 2019.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 50 Million. This facility is secured by way of first pari passu charge to the extent of Rs.425 Million over present and future fixed assets of the Company.
National Bank of Pakistan					
Demand Finance III (38 - Million)	**14,250,000**	23,750,000	3M KIBOR+2.5%	The loan is repayable in 16 equal quarterly installments ending on 30 September, 2016. Remaining 5 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 38 Million. This loan facility is secured by way of first joint pari passu charge on fixed assets with 25% margin of Rs. 381.00 million and Personal Guarantees of sponsoring directors.
Bank Al-Habib Limited					
Term Finance-I (15 - Million)	**937,500**	4,687,500	6M KIBOR+2 %	The loan is repayable in 48 equal monthly installments including grace period of one year ending on 13 September, 2015. Remaining 3 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 15 Million. This facility is secured by way of joint pari passu charge over fixed assets the extent of Rs.220 Million over present and future fixed assets of the Company.
Term Finance-II (5.42 - Million)	**2,370,375**	4,063,500	6M KIBOR+2 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 31 March, 2017. Remaining 7 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 51.50 Million. This facility is secured by way of joint pari passu charge over fixed assets the extent of Rs.220 Million over present and future fixed assets of the Company.
Term Finance-III (8.82 - Million)	**4,412,000**	6,618,000	6M KIBOR+2 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 1 April, 2017. Remaining 8 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 51.50 Million. This facility is secured by way of joint pari passu charge over fixed assets the extent of Rs.220 Million over present and future fixed assets of the Company.

Banking Companies		2015 Rupees	2014 Rupees	Rate Per annum	Number of remaining installments	Salient features
Term Finance-IV (37.26 - Million)		18,629,000	27,943,500	6M KIBOR+2 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 3 May, 2017. Remaining 8 installments are to be paid till maturity of agreement	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 51.50 Million. This facility is secured by way of joint pari passu charge over fixed assets the extent of Rs.220 Million over present and future fixed assets of the Company.
Term Finance-V (56 - Million)		45,500,000	56,000,000	6M KIBOR+1.5 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 30 September, 2018. Remaining 13 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 56 Million. This facility is secured by way of joint pair passu charge over fixed assets the extent of Rs.220 Million over present and future fixed assets of the Company.
Term Finance-VI (50 - Million)		43,750,000	50,000,000	6M KIBOR+1.5 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 27 August, 2018. Remaining 14 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 50 Million. This facility is secured by way of joint pair passu charge over fixed assets the extent of Rs.220 Million over present and future fixed assets of the Company.
Bank of Punjab						
Term Finance I (17.83 - Million)		16,717,500	17,832,000	6M KIBOR+1.5 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 31 March, 2019. Remaining 15 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 100 Million. This loan facility is secured by way of ranking charge over fixed assets of the Company of Rs.134 Million.
MCB Bank Limited						
Term Finance-I (54.32 - Million)		3,395,000	16,975,000	3M KIBOR+2 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 30 September, 2015. Remaining 1 installment is to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 60 Million. This loan facility is secured by way of ranking charge over fixed assets of the Company of Rs.80 Million.
		279,602,943	373,702,456			
Less: Current maturity of long term financing	9	(104,193,168)	(93,934,264)			
		175,409,775	279,768,192			

7	Liabilities against assets subject to finance lease	Note	2015 Rupees	2014 Rupees
	Present value of minimum lease payments		583,691	1,345,489
	Less: Current portion shown under current liabilities	9	(583,691)	(762,218)
			-	583,271

The minimum lease payments have been discounted at an implicit interest rate of 12.45% & 12.95% (2014: 11.56% & 12.61%) to arrive at their present value. At the end of the lease term, the assets shall be transferred in the name of the lessee. The amount of the future payments and the period in which they will become due are:

	2015		2014	
	Not later than one year	Later than one year but not later than five years	Not later than one year	Later than one year but not later than five years
	Rupees			
Minimum lease payments	608,579	-	852,804	593,635
Future finance cost	24,888	-	90,586	10,364
Present value of lease liability	583,691	-	762,218	583,271

8	Deferred liabilities	Note	2015 Rupees	2014 Rupees
	Staff retirement benefits	8.1	18,788,298	16,219,250
	Deferred tax liability	8.2	151,819,170	163,362,428
			170,607,468	179,581,678

8.1 Staff gratuity

The latest actuarial valuation of the Company's defined benefit plan, was conducted at 30 June 2015 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

8.1.1 The amounts recognized in the balance sheet are as follows:	Note	2015 Rupees	2014 Rupees
Present value of defined benefit obligation	8.1.4	18,788,298	16,219,250
Liability at end of the year		18,788,298	16,219,250

8.1.2 The amounts recognized in the profit and loss account against defined benefit plan are as follows:

	2015	2014
Current service cost	8,853,021	10,728,248
Interest cost	1,515,469	1,605,710
Charge to profit and loss	10,368,490	12,333,958

8.1.3 Included in other comprehensive income:

	2015	2014
Remeasurement of defined benefit obligation		
Experience adjustment on obligation		
Charge to other comprehensive income	1,764,051	(8,441,241)
	1,764,051	(8,441,241)

8.1.4 Movement in the liability recognized in the balance sheet is as follows:

	Note	2015	2014
Liability at beginning of the year		16,219,250	18,258,420
Charge for the year	8.1.2	10,368,490	12,333,958
Actuarial loss/(gain) charged to OCI	8.1.3	1,764,051	(8,441,241)
Benefits paid during the year		(9,563,493)	(5,931,887)
Liability at end of the year		18,788,298	16,219,250

8.1.5 Actuarial assumptions

	2015	2014
Valuation discount rate	**13.25%**	10.50%
Expected rate of increase in salaries	**8.75%**	12.25%
Average expected remaining working lifetime of employees	**5 years**	5 years

8.1.6 Available historical information	2015	2014	2013	2012	2011
Present value of defined benefit obligation	**18,788,299**	16,219,250	18,258,420	27,923,643	21,898,924
Experience adjustment arising on plan liabilities loss / (gain)	**1,764,051**	(8,441,241)	(1,552,947)	(1,412,535)	(1,470,026)

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

	Impact on defined benefit obligation - increase/(decrease)		
	Change in assumptions	Increase in assumption	Decrease in assumption
Discount rate	1%	(942,373)	1,087,489
Salary growth rate	1%	1,153,303	(1,020,399)

8.2 Deferred tax liability	*Note*	2015 Rupees	2014 Rupees
Taxable temporary difference:			
Accelerated tax depreciation		**155,877,443**	167,235,453
Deductible temporary differences:			
Staff retirement benefits		**(4,058,273)**	(3,576,345)
Others		-	(296,680)
		151,819,170	163,362,428

9 Current portion of long term liabilities

Long term financing	*6*	**104,193,168**	93,934,264
Liabilities against assets subject to finance lease	*7*	**583,691**	762,218
		104,776,859	94,696,482

10 Short term borrowing - secured

From banking companies:		
Short term cash finance	**423,976,273**	470,565,144
Short term running finance	**9,289,912**	29,483,450
Finance against imported merchandise	**22,144,305**	-
	455,410,490	500,048,594

10.1 These facilities have been obtained from various banking companies for working capital requirements. These are secured by way of joint pari passu charge on current assets of the Company amounting to Rs. 979 Million (2014: Rs.462 Million) pledge of raw material, lien on import documents and personal guarantees of directors. These facilities are expiring on various dates latest by 30 June 2016.

Mark-up on facilities is charged at the rates ranging from 7.65% to 12.18% (2014: 10.33% to 11.68%) per annum payable quarterly.

The aggregate available short term funded facilities amount to Rs. 3,265 Million (2014: Rs. 3,065 Million).

11	Trade and other payables	Note	2015 Rupees	2014 Rupees
	Trade creditors		32,461,971	53,059,958
	Accrued liabilities		119,751,663	52,555,666
	Advances from customers		1,382,421	7,467,370
	Payable to Workers' Profit Participation Fund	11.1	2,412,830	9,619,037
	Payable to Worker Welfare Fund		1,362,966	3,847,615
	Withholding tax payable		109,838	56,313
	Withholding sales tax payable		458,849	210,542
	Security refundable	11.2	5,000,000	5,047,535
			162,940,538	131,864,036

11.1 Workers' Profit Participation Fund

	Note	2015	2014
Balance as at 01 July		9,619,037	16,721,659
Provision for the year	29	2,412,830	9,619,037
Interest for the year	27	887,323	1,712,481
		12,919,190	28,053,177
Payments made during the year		(10,506,360)	(18,434,140)
Balance as at 30 June		2,412,830	9,619,037

11.2 These interest free security deposits are held by the Company against vendors for waste sales. These are repayable on demand subject to clearance of dues.

12	Mark-up accrued	2015 Rupees	2014 Rupees
	Long term financing - secured	6,615,137	9,447,296
	Short term borrowings - secured	9,569,330	22,236,612
		16,184,467	31,683,908

13 Contingencies and commitments

13.1 Contingencies

13.1.1 The Company has filed an appeal before the Honorable Supreme Court of Pakistan against the judgment of the Division Bench of the Honorable High Court of Sindh at Karachi. The Division Bench, by judgment dated 15 September 2008, has partly accepted the appeal by declaring that the levy and collection of infrastructure cess / fee prior to 28 December 2006 was illegal and ultra vires and after 28 December 2006, it was legal and the same was collected by the Excise Department in accordance with the law. The appeal has been filed against the declaration that after 28 December 2006, the Excise Department has collected the infrastructure cess / fee in accordance with law. The Province of Sindh and Excise and Taxation Department has also preferred an appeal against the judgment decided against them. The Honorable Supreme Court consolidated both the appeals and were set aside. Thereafter, law has been challenged in constitution petition in the Honorable Sindh High Court Karachi. Stay has been granted by the Honorable High Court on 31 May 2011 on payment of 50% of the cess to the Excise Department and on furnishing of bank guarantee amounting to Rs. 5.57 million for remaining 50% to them. The petition is pending for hearing and stay is continuing.

13.1.2 The sales tax zero rating facility on supply of electricity and gas for the Raiwind plant of the Company was withdrawn by the FBR during the year. In this regard required steps were undertaken by the Company in December 2014 and the same were verified by the Inspector of the Deputy Commissioner Inland Revenue, Large Taxpayers Unit, Lahore. His report was forwarded to the FBR in March 2015 suggesting furtherance of relief available to the Company in form of zero rating facility. Decision of the FBR, however, is still awaited. The Company has also challenged levy of sales tax on electricity and gas amounting Rs. 24,016,811 in Honorable Lahore High Court. Final order was passed by the Court on 23 April 2015 in favor of the Company. The Company has filed an Intra Court Appeal on non-implementation of court order by FBR. No provision has been made in the financial statements of the Company, in light of decision of the Honorable Court in favor of the Company.

13.2 Commitments

13.2.1 Aggregate amount of bank guarantees issued by banks outstanding as at balance sheet date amounted to Rs. 33.376 million (2014: Rs. 32.876 million)

13.2.2 Letter of credit for import of plant and machinery, raw material and spares outstanding as at balance sheet date amounted to Rs. 140.731 million (2014: Rs. 7.340 million).

14 Property, plant and equipment

	2015									
	Cost					Accumulated Depreciation				
	As at 01 July 2014	Additions/ transfers during the year	Disposals/ adjustments during the year	As at 30 June 2015	Rate	As at 01 July 2014	Charge/ transfers for the year	Disposals/ adjustments during the year	As at 30 June 2015	Net book value as at 30 June 2015
	Rupees				%	Rupees				
Owned										
Land freehold	34,857,369	-	-	34,857,369		-	-	-	-	34,857,369
Buildings on freehold land	208,777,117	6,216,386	-	214,993,503	5	74,454,794	7,026,936	-	81,481,730	133,511,773
Plant and machinery	1,629,707,692	35,186,114	-	1,664,893,806	10 & 5	588,450,939	74,676,790	-	663,127,729	1,001,766,077
Vehicles	4,254,754		-	4,254,754	20	2,360,374	378,876	-	2,739,250	1,515,504
Furniture and fittings	3,076,431	31,600	-	3,108,031	10	1,857,521	124,524	-	1,982,045	1,125,986
Electric installation	71,546,049	991,224	-	72,537,273	10	42,088,324	3,013,560	-	45,101,884	27,435,389
Tools and equipment	9,004,000	-	-	9,004,000	10	5,374,059	362,994	-	5,737,053	3,266,947
Office equipment	6,332,504	508,511	-	6,841,015	10	2,216,746	431,608	-	2,648,354	4,192,661
Tube well	695,000	3,576,530	-	4,271,530	10	52,126	421,941	-	474,067	3,797,463
	1,968,250,916	**46,510,365**	-	**2,014,761,281**		**716,854,883**	**86,437,229**	-	**803,292,112**	**1,211,469,169**
Leased										
Vehicles	2,383,000	-	-	2,383,000	20	730,786	330,443	-	1,061,229	1,321,771
	1,970,633,916	**46,510,365**	-	**2,017,144,281**		**717,585,669**	**86,767,672**	-	**804,353,341**	**1,212,790,940**

	2014									
	Cost					Accumulated Depreciation				
	As at 01 July 2013	Additions/ transfers during the year	Disposals during the year	As at 30 June 2014	Rate	As at 01 July 2013	Charge/ transfers for the year	Disposals during the year	As at 30 June 2014	Net book value as at 30 June 2014
	---------- Rupees ----------				%	---------- Rupees ----------				
Owned										
Land freehold	34,857,369	-	-	34,857,369	-	-	-	-	-	34,857,369
Buildings on freehold land	208,244,343	532,774	-	208,777,117	5	67,410,899	7,043,895	-	74,454,794	134,322,323
Plant and machinery	1,418,405,989	271,521,355	(48,148,152)	1,629,707,692	10 & 5	557,229,380	70,525,200	(30,962,993)	588,450,939	1,041,256,753
		(12,071,500)					(8,340,648)			
Vehicles	1,039,004	-	(103,500)	4,254,754	20	705,726	318,215	(79,084)	2,360,374	1,894,380
		3,630,000	(310,750)				1,726,267	(310,750)		
Furniture and fixture	3,076,431	-	-	3,076,431	10	1,722,087	135,434	-	1,857,521	1,218,910
Electric installation	56,426,859	2,138,290	-	71,546,049	10	29,869,143	3,251,926	-	42,088,324	29,457,725
		12,980,900					8,967,255			
Tools and equipment	9,881,776	31,624	-	9,004,000	10	5,600,558	400,108	-	5,374,059	3,629,941
		(909,400)					(626,607)			
Office equipment	4,057,047	2,275,457	-	6,332,504	10	1,873,257	343,489	-	2,216,746	4,115,758
Tube well	-	695,000	-	695,000	10	-	52,126	-	52,126	642,874
	1,735,988,818	280,824,500	(48,562,402)	1,968,250,916		664,411,050	83,796,660	(31,352,827)	716,854,883	1,251,396,033
Leased										
Vehicles	6,013,000	-	-	2,383,000	20	2,011,733	445,320	-	730,786	1,652,214
		(3,630,000)					(1,726,267)			
	6,013,000	(3,630,000)	-	2,383,000		2,011,733	(1,280,947)	-	730,786	1,652,214
2014	1,742,001,818	277,194,500	(48,562,402)	1,970,633,916		666,422,783	82,515,713	(31,352,827)	717,585,669	1,253,048,247

14.1 The depreciation charge for the year has been allocated as follows:

	2015	2014
	Rupees	Rupees
Cost of sales	**85,471,111**	81,284,922
Administrative expenses	**1,296,561**	1,230,791
	86,767,672	82,515,713

		Note	2015 Rupees	2014 Rupees
15	**Intangibles**			
	Computer software			
	Cost	*15.1*	**1,973,122**	1,973,122
	Less: Accumulated amortisation	*15.2*	**(690,591)**	(295,967)
			1,282,531	1,677,155
	Amortization rate		**20%**	20%

15.1 Cost

	2015 Rupees	2014 Rupees
At beginning of the year	**1,973,122**	-
Additions during the year	**-**	1,973,122
At end of the year	**1,973,122**	1,973,122

15.2 Accumulated amortisation

	2015 Rupees	2014 Rupees
At beginning of the year	**295,967**	
Amortisation for the year	**394,624**	295,967
At end of the year	**690,591**	295,967

15.3 The amortisation charge for the year has been allocated to administrative expenses as referred to in note 25.

		2015 Rupees	2014 Rupees
16	**Capital work in progress**		
	Civil works	**3,082,538**	12,647,450
	Plant and machinery	**-**	2,968,500
		3,082,538	15,615,950

17 Long term deposits

These mainly include security deposits with Water and Power Development Authority.

		Note	2015 Rupees	2014 Rupees
18	**Stores, spare parts and loose tools**			
	Stores		**22,313,946**	24,775,831
	Spare parts and loose tools		**20,113,716**	13,182,362
			42,427,662	37,958,193
19	**Stock in trade**			
	Raw material		**559,297,091**	719,465,616
	Work in process		**20,141,229**	20,369,173
	Finished goods	*19.1*	**109,519,165**	135,533,435
			688,957,485	875,368,224

19.1 This includes stock amounting to Rs. 9.37 million which represents export of yarn against which bill of lading was prepared on 27 June 2015. However, since risk and rewards of ownership were not transferred up to the year end, this is included in stock in trade.

20 Trade debts

	Note	2015 Rupees	2014 Rupees
Foreign debtors - secured considered good		9,600,892	-
Local debtors - unsecured considered good		81,469,254	139,690,863
Considered doubtful		-	5,285,845
Provision for doubtful debts	25	-	(5,285,845)
		81,469,254	139,690,863
		91,070,146	139,690,863

21 Advances, deposits and prepayments

	2015	2014
Advances to employees - *considered good*	891,640	334,176
Advances to suppliers - considered good		
- local	310,594	419,584
- foreign	800,792	-
Security deposits	242,300	242,300
Sales tax receivable	67,109,759	33,446,821
Advance against letters of credit	126,350	1,029,234
Margin on bank guarantees	6,496,427	5,996,427
Prepayments	114,190	791,432
	76,092,052	42,259,974

22 Cash and bank balances

	Note	2015	2014
Cash in hand		368,180	1,157,456
Cash at bank:			
Current accounts		109,080,418	5,488,324
Saving account	22.1	9,745	9,228
		109,458,343	6,655,008

22.1 These carry mark-up on saving account is 5% to 6% (2014: 6% to 7%) per annum.

23 Sales - net

	Note	2015 Rupees	2014 Rupees
Local:			
Cotton yarn		2,581,398,423	2,257,561,959
Waste sales		104,840,884	140,164,017
Export:			
Cotton yarn	23.1	640,832,004	1,150,859,734
		3,327,071,311	3,548,585,710
Less: Sales tax		(51,622,448)	(58,965,922)
Commission		(16,908,009)	(20,977,294)
		3,258,540,854	3,468,642,494

23.1 These include indirect exports, taxable under Section 154 (3) of the Income Tax Ordinance, 2001, amounting to Rs. Nil (2014 ; Rs. 651.05 million).

24 Cost of sales

	Note	2015 Rupees	2014 Rupees
Raw material consumed		2,125,061,266	2,311,617,525
Salaries, wages and benefits		185,424,856	156,137,274
Power and fuel		440,835,002	422,053,307
Stores and spares consumed		57,122,116	56,277,287
Packing material consumed		58,881,044	51,946,858
Repair and maintenance		16,510,933	21,385,625
Vehicles running and maintenance		1,610,655	1,984,292
Insurance		10,417,046	11,071,834
Staff retirement benefits		9,953,750	11,655,676
Rent, rates, taxes and telephone charges		841,508	680,068
Freight charges		350,830	324,832
Entertainment		403,907	538,899
Depreciation	14.1	85,471,111	81,284,922
Other expenses		7,565,745	8,809,403
		3,000,449,769	3,135,767,802
Work in process			
Opening stock		20,369,173	18,519,485
Closing stock		(20,141,229)	(20,369,173)
		227,944	(1,849,688)
Cost of goods manufactured		3,000,677,713	3,133,918,114
Finished goods			
Opening stock		135,533,435	83,145,073
Closing stock		(109,519,165)	(135,533,435)
		26,014,270	(52,388,362)
		3,026,691,983	3,081,529,752

25 Administrative expenses

	Note	2015 Rupees	2014 Rupees
Salaries and other benefits		11,962,292	10,190,841
Traveling expenses		101,780	62,037
Telephone, postage and telegrams		227,877	182,751
Rent, rates and taxes		1,381,920	1,223,340
Power and fuel		1,080,873	1,218,237
Printing and stationery		301,199	278,240
Entertainment		287,030	95,778
Insurance		100,903	154,083
Repair and maintenance		769,838	758,933
Legal and professional charges		1,007,500	790,000
Auditors' remuneration	25.1	240,000	220,000
Vehicle running and maintenance		926,327	1,053,381
Charity and donation	25.2	2,050,000	900,000
Subscription fees		182,658	564,283
Staff retirement benefits		414,740	678,282
Provision for doubtful debts	20	-	5,285,845
Depreciation	14.1	1,296,561	1,230,791
Amortisation	15.2	394,624	295,967
Other expenses		799,732	627,189
		23,525,854	25,809,978

		2015 Rupees	2014 Rupees
25.1	**Auditors' remuneration**		
	Audit fee	**200,000**	200,000
	Out of pocket expense	**40,000**	20,000
		240,000	220,000

25.2 These donations have been paid to the Chaudhary Nasur Ulla Family Trust, Shaukat Khanum Memorial Trust and Research Center and IDPs. None of the directors or their spouses have any interest in the donee funds to which these donations were made.

		Note	2015 Rupees	2014 Rupees
26	**Distribution cost**			
	Freight and other expenses - export			
	Ocean freight		**4,731,749**	5,209,402
	Others		**19,327,336**	19,372,069
			24,059,085	24,581,471
	Freight and other expenses - local		**10,274,396**	17,094,673
	Loading and other expenses		**6,080,191**	4,942,525
			40,413,672	46,618,669
27	**Finance cost**			
	Interest and mark-up on			
	- Long term financing - secured		**39,025,952**	41,417,965
	- Finance lease		**93,530**	178,960
	- Short term borrowings - secured		**73,402,807**	90,320,727
	Interest on Workers' Profit Participation Fund	*11.1*	**887,323**	1,712,481
	Bank charges		**904,729**	437,417
			114,314,341	134,067,550
28	**Other income**			
	From financial assets:			
	Gain on Saving Growth Fund		-	295,489
	Exchange gain		-	20,050,013
	Profit on saving account		**672**	93,511
	From non-financial assets:			
	Income on sale of scrap		**212,489**	203,623
			213,161	20,642,636
29	**Other expenses**			
	Workers' Profit Participation Fund	*11.1*	**2,412,830**	9,619,037
	Workers' Welfare Fund		**1,362,966**	3,847,615
	Loss on disposal of property, plant and equipment		-	8,878,444
	Exchange loss		**5,551,559**	-
			9,327,355	22,345,096

30 Taxation

	2015 Rupees	2014 Rupees
Current	**28,988,941**	34,686,425
Prior year	**(3,890,939)**	13,013,921
	25,098,002	47,700,346
Deferred tax (including prior year tax adjustment)	**(11,162,223)**	2,019,142
	13,935,779	49,719,488

30.1 Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit:

	2015 Rupees	2014 Rupees
Profit before taxation	**44,480,810**	178,914,085
	------- (Percentage) -------	
Applicable tax rate as per Income Tax Ordinance, 2001	**33%**	34%

	2015 Rupees	2014 Rupees
Tax effect of:	**14,678,667**	60,830,789
- income under Final Tax Regime	**2,857,881**	(9,508,686)
- prior year adjustment in deferred tax	**(7,075,302)**	-
- change in proportion of local and export sales	**22,042,597**	10,496,634
- tax rate adjustments	**(23,337,490)**	-
- prior year adjustment in current tax	**(3,890,939)**	13,013,921
- tax credits	**(3,518,611)**	(27,365,965)
- effect of minimum tax over tax under Normal Tax Regime	**11,960,613**	1,662,693
- others	**218,363**	590,102
	(742,888)	(11,111,301)
	13,935,779	49,719,488

31 Transactions with related parties

The Company's related parties include subsidiaries, associated company, entities over which directors are able to exercise influence, directors and key management personnel. Balances with the related parties are shown in respective notes in the financial statements. Transactions with related parties are as follows:

Related parties	Nature of transactions	2015 Rupees	2014 Rupees
Unigohar Homes (Private) Limited - Associated undertaking	Rent	**1,320,000**	1,152,000
Pak Kuwait Textiles Limited, Holding Company	Reimbursements	**2,628,917**	1,327,070
Key management personnel	Remuneration	**8,612,470**	7,604,721

32 Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board of Directors reviews and agrees policies for managing each of these risks.

32.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

32.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the end of the reporting period was as follows:

	2015 Rupees	2014 Rupees
Trade debts	91,070,146	139,690,863
Advances, deposits and other receivables	13,841,299	11,579,281
Bank balances	109,090,163	5,497,552
Long term deposits	6,777,600	6,684,000
	220,779,208	163,451,696

32.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2015 Rupees	2014 Rupees
Customers	91,070,146	139,690,863
Banking companies and financial institutions	109,090,163	5,497,552
Others	20,618,899	18,263,281
	220,779,208	163,451,696

32.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

32.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

Banks	Rating		Rating	2015	2014
	Short term	Long term	Agency	Rupees	Rupees
National Bank of Pakistan	A-1+	AAA	JCR-VIS	3,120,435	143,395
Faysal Bank Limited	A1+	AA	PACRA	15,792,044	24,144
Faysal Bank Barkat Islamic Banking	A1+	AA	PACRA	2,103,350	3,838,960
Habib Bank Limited	A-1+	AAA	JCR-VIS	13,930,080	986,833
Bank Alfalah Limited	A1+	AA	PACRA	369	369
Bank Alfalah Limited Islamic Banking	A1+	AA	PACRA	2,409,124	38,430
Meezan Bank Limited	A-1+	AA	JCR-VIS	66,290,221	-
United Bank Limited	A1+	AA+	JCR-VIS	5,544	5,544
MCB Bank Limited	A1+	AAA	PACRA	1,978,782	2,097
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,334,257	616
Bank Al Habib Limited	A1+	AA+	PACRA	1,935,969	11,024
Bank of Punjab	A1+	AA-	PACRA	189,988	446,140
				109,090,163	5,497,552

32.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to local and foreign trade debts against sale of yarn. The analysis of ages of trade debts of the Company as at the reporting date is as follows:

	2015	2014
	Rupees	Rupees
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	60,945,567	81,734,053
Past due 31-180 days	27,778,911	52,945,769
Past due 181 days -365 days	1,680,176	120,473
Past due 366 & above	665,492	4,890,568
	91,070,146	139,690,863

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as there are reasonable grounds to believe that the amounts will be recovered in due course of time.

As at year end, trade debts do not include any balance receivable from related parties (2014: Nil).

32.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets, or that such obligations will have to be settled in a manner unfavorable to the Company. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

32.2.1 **Exposure to liquidity risk**

32.2.1(a) *Contractual maturities of financial liabilities, including estimated interest payments*

The following are the remaining contractual maturities at the reporting date. The amounts are grossed and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

	2015				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
Non-derivative financial liabilities			(Rupees)		
Long term financing from banking companies	279,602,943	310,701,730	120,810,220	189,891,510	-
Liabilities against assets subject to finance lease	583,691	608,579	608,579	-	-
Trade and other payables	157,213,634	157,213,634	157,213,634	-	-
Mark-up accrued	16,184,467	16,184,467	16,184,467	-	-
Short term borrowings	455,410,490	455,410,490	455,410,490	-	-
	908,995,225	940,118,900	750,227,390	189,891,510	-

	2014				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
Non-derivative financial liabilities			(Rupees)		
Long term financing from banking companies	373,702,456	444,112,227	133,410,497	310,701,730	-
Liabilities against assets subject to finance lease	1,345,489	2,107,707	1,345,489	762,218	-
Trade and other payables	110,663,159	110,663,159	110,663,159	-	-
Mark-up accrued	31,683,908	31,683,908	31,683,908	-	-
Short term borrowings	500,048,594	500,048,594	500,048,594	-	-
	1,017,443,606	1,088,615,595	777,151,647	311,463,948	-

32.3 **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest 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 return.

32.3.1 **Currency risk**

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denominated in US dollars and on foreign currency bank accounts. The Company's exposure to foreign currency risk for US Dollars is as follows:

32.3.1(a) *Exposure to currency risk*

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows. The figures represent foreign currency balances after conversion in Pak Rupees using exchange rates prevailing at the balance sheet date.

	2015		2014	
	USD	Rupees	USD	Rupees
Foreign debtors	94,497	9,600,892	-	-

32.3.1(b) *Exchange rates applied during the year*

The following significant exchange rate has been applied.

	Average rate		Reporting date rate	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
USD to PKR	101.41	102.7	101.6	98.5

mmm

Sensitivity analysis

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the following currencies would have affected the measurement of financial instruments denominated in foreign currency and affected profit and loss by the amounts shown below at the balance sheet. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2015 Rupees	2014 Rupees
Effect on profit or loss		
US Dollars	960,089	(102,923)

The strengthening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

32.3.2 **Interest rate risk**

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective rate		Carrying amount	
	2015	2014	2015	2014
Financial liabilities	%	%	Rupees	Rupees
Variable rate instruments:				
Long term loans - secured	12.45 - 12.95	11.31 - 14.81	279,602,943	373,202,456
Short term borrowing - secured	7.65 - 12.18	10.51 - 13.99	455,410,490	500,048,594

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 affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit and loss 100 bps	
	Increase Rupees	Decrease Rupees
As at 30 June 2015		
Cash flow sensitivity-Variable rate financial liabilities	73,501,343	(73,501,343)
As at 30 June 2014		
Cash flow sensitivity-Variable rate financial liabilities	87,375,105	(87,375,105)

The strengthening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

32.4 **Capital management**

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) To provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

33 Remuneration of chief executive, directors and executives

The aggregate amounts charged in the financial statements for the remuneration, including all benefits, to the executives of the Company were as follows:

	Chief Executive	
	2015	2014
Managerial remunerations	-	-
Retirement benefits	-	-
Utilities	-	-
Leave encashment	-	-
Medical expenses	-	-
	-	-
Number of persons	1	1

	Executive Director		Executives	
	2015	2014	**2015**	2014
	(Rupees)			
Managerial remunerations	**1,960,000**	1,680,000	**5,283,600**	4,891,606
Retirement benefits	**128,333**	110,000	**345,950**	320,284
Utilities	**140,000**	120,000	**377,400**	349,400
Leave Encashment	**100,000**	-	**157,834**	-
Medical expenses	**57,042**	54,270	**62,311**	79,161
	2,385,375	1,964,270	**6,227,095**	5,640,451
Number of persons	1	1	7	5

33.1 No remuneration or any other benefits are being paid to the Chief Executive Officer of the Company.

33.2 The total and average number of employees during the year and as at 30 June are as follows:

	2015	2014
	(Number of persons)	
- As at 30 June	**769**	744
- Average number of employees	**802**	854

34 Plant capacity and actual production

Spinning	*Unit*	**2015**	2014
Number of spindles installed	*No.*	**41,376**	41,376
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**15,156,199**	15,156,199
Actual production converted into 20s count	*Kgs*	**18,276,912**	17,592,077

MMKYA

It is difficult to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed and twist, picks etc. It would also vary accordingly to the pattern of production adopted in a particular year.

35 Date of authorization for issue

These financial statements were authorized for issue on 09 OCT 2015 by the Directors of the Company.

Lahore 09 OCT 2015

Chief Executive

Director