Al Nasr Textiles Limited

Financial statements for the year ended
30 June 2016

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 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.

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 except for the change as stated in note 4.1 with which we concur;

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

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

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 2016 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.

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

Date 8 October 2016

Lahore

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, 2016.

FINANCIAL HIGHLIGHTS

Comparison of Audited result for the year ended June 30th, 2016 as against June 30th, 2015 is as follows:

	30.06.2016 (Rs.)	30.06.2015 (Rs.)
Sales (Net)	2,818,581,230	3,275,448,863
Gross Profit	176,187,105	248,756,880
Profit before taxation	42,598,174	44,480,810
Taxation	(34,549,478)	(13,935,779)
Profit after taxation	8,048,696	30,545,031
Total Comprehensive Income for the year	9,603,059	29,162,015
Un-appropriated Profit/ (Loss) brought forward	904,926,902	875,764,887
Un-appropriated Profit carried forward	**914,529,961**	**904,926,902**
Earnings per Share	**0.24**	**0.89**

COMPANY PERFORMANCE

During the year, your company earned a pre-tax Profit of Rs. 42,598,174 as against a pre-tax Profit of Rs. 44,480,810 in the last financial year representing 4 % year on year decrease. The Gross Profit Margin decreased by 29 % as compared to F/Y 2015. 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 in the last quarter of F/Y 2016 due to the availability of Gas for electricity production. Your company earned a profit after tax of Rs. 8,048,696 as compared to last year's profit after tax of Rs. 30,545,031 (F/Y 2015) which represents 74 % 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

BALANCING MODERNIZATION & REPLACEMENT (BMR)

Addition to Plant & Machinery was made during the year ended 30th June, 2016. 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 Shields for non-lint contaminants
- 4 x Combing Machines (Chinese)
- 7 x Ring Frames RX-300E (Toyota Tsusho)
- 5 Sets Compact Systems for Ring Frames
- Upgradation of 3 Sets 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 minimum wage announced by the Government the production cost of the company will increase in the next year. Availability of Gas for electricity generation will be important to balance the increase in cost of production. The yarn rates have been depressed, which would adversely impact the financial results of the year 2016 / 2017.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on 30 June 2016, 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

Lahore
8th October 2016

(TARIQ MEHMOOD)
Chief Executive

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Al Nasr Textiles Limited

Balance Sheet

As at 30 June 2016

EQUITY AND LIABILITIES	Note	2016 Rupees	2015 Rupees
Share capital and reserves			
Authorised share capital 40,000,000 (2015: 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		**914,529,961**	904,926,902
		1,256,529,961	1,246,926,902
Non-current liabilities			
Long term financing - *secured*	6	**242,607,863**	175,409,775
Liabilities against assets subject to finance lease	7	-	-
Deferred liabilities	8	**195,808,338**	170,607,468
		438,416,201	346,017,243
Current liabilities			
Current portion of long term liabilities	9	**115,410,959**	104,776,859
Short term borrowings - *secured*	10	**471,885,185**	455,410,490
Trade and other payables	11	**145,269,143**	162,940,538
Mark-up accrued	12	**15,192,037**	16,184,467
		747,757,324	739,312,354
		2,442,703,486	2,332,256,499
Contingencies and commitments	13		

ASSETS	Note	2016 Rupees	2015 Rupees
Non-current assets			
Property, plant and equipment	14	**1,352,891,330**	1,212,790,940
Intangibles	15	**887,907**	1,282,531
Capital work in progress	16	-	3,082,538
Long term deposits	17	**6,777,600**	6,777,600
		1,360,556,837	1,223,933,609
Current assets			
Stores, spare parts and loose tools	18	**46,845,158**	33,440,797
Stock in trade	19	**638,977,273**	697,944,350
Trade debts	20	**63,315,127**	91,070,146
Advances, deposits and prepayments	21	**153,282,751**	76,092,052
Other receivables		**4,703,354**	25,931,982
Advance tax - net		**101,130,814**	74,385,220
Cash and bank balances	22	**73,892,172**	109,458,343
		1,082,146,649	1,108,322,890
		2,442,703,486	2,332,256,499

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

Lahore

Chief Executive

Director

Al Nasr Textiles Limited

Profit and Loss Account

For the year ended 30 June 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	23	**2,818,581,230**	3,275,448,863
Cost of sales	24	**(2,642,394,125)**	(3,026,691,983)
Gross profit		**176,187,105**	248,756,880
Administrative expenses	25	**(29,222,966)**	(23,525,854)
Distribution cost	26	**(36,455,576)**	(54,693,953)
		(65,678,542)	(78,219,807)
		110,508,563	170,537,073
Finance cost	27	**(65,496,477)**	(116,942,069)
		45,012,086	53,595,004
Other income	28	**28,734,259**	213,161
Other expenses	29	**(31,148,171)**	(9,327,355)
Profit before taxation		**42,598,174**	44,480,810
Taxation	30	**(34,549,478)**	(13,935,779)
Profit after taxation		**8,048,696**	30,545,031

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

Lahore **Chief Executive** **Director**

Al Nasr Textiles Limited
Statement of Comprehensive Income
For the year ended 30 June 2016

	2016 Rupees	2015 Rupees
Profit after taxation	**8,048,696**	30,545,031
Other comprehensive income		
Items that will never be reclassified to profit and loss account		
Remeasurement of defined benefit obligation	2,029,195	(1,764,051)
Related deferred tax	(474,832)	381,035
	1,554,363	(1,383,016)
Total comprehensive income for the year	9,603,059	29,162,015

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

Lahore

Chief Executive

Director

Al Nasr Textiles Limited
Cash Flow Statement
For the year ended 30 June 2016

	Note	2016 Rupees	2015 Rupees
Cash flows from operating activities			
Profit before taxation		42,598,174	44,480,810
Adjustments for:			
Depreciation	14	92,381,682	86,767,672
Amortisation	15	394,624	394,624
Finance cost		65,496,477	116,054,746
Loss on disposal of property, plant and equipment		206,189	-
Provision for doubtful debts		857,758	-
Provision for Worker's Profit Participation Fund		2,432,534	3,300,153
Provision for Worker's Welfare Fund		869,350	1,362,966
Staff retirement benefits		11,755,072	10,368,490
		174,393,686	218,248,651
Cash generated from operations before working capital changes		216,991,860	262,729,461
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets:			
Trade debts		26,897,261	48,620,717
Stores, spare parts and loose tools		(13,404,361)	4,517,396
Stock in trade		58,967,077	177,423,874
Advances deposits and prepayments		(77,190,699)	(33,832,078)
Other receivables		21,228,628	(21,620,662)
Increase/(decrease) in current liabilities:			
Trade and other payables		(17,052,713)	40,767,358
		(554,807)	215,876,605
Cash generated from operations		216,437,053	478,606,066
Finance cost paid		(66,488,907)	(131,554,187)
Staff retirement benefits paid		(10,255,780)	(9,563,493)
Worker's Profit Participation Fund paid		(2,557,600)	(10,506,360)
Worker's Welfare Fund paid		(1,362,966)	(3,847,615)
Long term deposits paid		-	(93,600)
Taxes paid		(36,039,131)	(46,761,108)
		(116,704,384)	(202,326,363)
Net cash generating from operating activities		99,732,669	276,279,703
Cash flows from investing activities			
Capital expenditure incurred		(232,311,252)	(33,976,953)
Sale proceeds of property, plant and equipment		2,705,529	-
Net cash outflows from investing activities		(229,605,723)	(33,976,953)
Cash flows from financing activities			
Long term loans - net		78,415,879	(94,099,513)
Payment of finance lease liabilities		(583,691)	(761,798)
Net movement in short term borrowings - secured		24,816,969	(24,444,566)
Net cash outflows from financing activities		102,649,157	(119,305,877)
Net (decrease)/ increase in cash and cash equivalents		(27,223,897)	122,996,873
Cash and cash equivalents at beginning of the year		100,168,431	(22,828,442)
Cash and cash equivalents at end of the year		72,944,534	100,168,431

Cash and cash equivalents comprise of the following:

	Note	2016 Rupees	2015 Rupees
Cash and bank balances	22	73,892,172	109,458,343
Running finance	10	(947,638)	(9,289,912)
		72,944,534	100,168,431

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

Lahore | **Chief Executive** | **Director**

Al Nasr Textiles Limited
Statement of Changes in Equity
For the year ended 30 June 2016

	Share capital	Accumulated profit	Total
	-----------	Rupees	-----------
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
Total comprehensive income for the year			
Profit for the year ended 30 June 2016	-	8,048,696	8,048,696
Other comprehensive income for the year ended 30 June 2016	-	1,554,363	1,554,363
	-	9,603,059	9,603,059
Balance as at 30 June 2016	**342,000,000**	**914,529,961**	**1,256,529,961**

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

Lahore

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 situated at 29-Shadman II, Lahore, Pakistan.

2 Statement of compliance

2.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of 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 2016:

- 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 amortization 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 amortization 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.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity;

and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on the Company's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on the Company's financial statements.

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

- Agriculture: Bearer Plants [Amendment 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 amendments are 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.

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on the Company's financial statements.

  Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

  Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are 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 on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. 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.

The above amendments are not likely to have an impact on the Company's financial statements.

3.3 Basis of measurement

These financial statements have been prepared on the historical cost convention except for certain investments in listed securities and financial instruments that are stated at their fair values and recognition of employee retirement benefits at present value. The methods used to measure fair values are discussed further in their respective policy notes.

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 trade 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 significant accounting policies adopted in the preparation of these financial statements are set out below. Except for a change as mentioned in note 4.1, the policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 During the year, the Company has adopted IFRS 13 'Fair Value Measurement' which became effective for the financial periods beginning on or after 1 January 2015. IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments Disclosures. As a result, the Company has included the additional disclosure in this regard in note 32.5 to the financial statements. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has no such significant impacts on the measurements of the Company's financial assets and liabilities. The Company has also adopted IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interest in Other Entities which became applicable from 1 January, 2015, as per the adoption status of IFRS in Pakistan. The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial statements of the Company.

4.2 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

4.3 Liabilities against assets subject to finance lease

Leases of property, plant and equipment are classified as finance leases, if these transfer substantially all the risks and rewards incidental to ownership. Assets subject to finance lease are stated at amounts equal to the fair value or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of lease obligation so to achieve a constant rate of interest on the remaining liability. The interest element of rental is charged to profit over the lease term.

4.4 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.

4.5 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 2016, 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.

4.6 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 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.

4.7 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.

4.8 **Trade and other payables**

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

4.9 **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.

4.10 **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.

4.11 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. The Company reviews the carrying amount of stores and spares and stock in trade on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools and stock in trade. Impairment is also made for slow moving items.

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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

	2016	2015
	Rupees	Rupees
5 Issued, subscribed and paid-up capital		
34,200,000 (2015: 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 (2015: 33,119,000) ordinary shares of Rs. 10 each of the Company.

5.2 Directors hold 445,831 (2015: 445,831) ordinary shares of Rs. 10 each of the Company.

6 Long term financing - secured

	Banking Companies	2016 Rupees	2015 Rupees	Rate Per annum	Number of remaining installments	Salient features
	Faysal Bank Limited (FBL)					
(a)	FBL LTF(4.97 - Million)	1,553,898	2,797,026	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 5 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement (BMR). This loan along with loan (b), (c) and (d) has sanctioned limit of Rs. 50 Million. This facility, along with facility (b), (c), (d), (e), (f), (g), (h) and (i) 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.
(b)	FBL LTF (20.718 - Million)	6,474,399	11,653,923	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 5 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement.
(c)	FBL LTF (21.934 - Million)	8,225,542	13,709,246	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 6 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement.
(d)	FBL LTF (2.37 - Million)	890,478	1,484,130	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 6 installments are to be paid till maturity of agreement.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement
(e)	FBL DMF (8.98 - Million)	3,933,023	6,180,463	6M KIBOR+2.5%	The loan is repayable in 16 equal quarterly installments ending on 31 January, 2018. Remaining 07 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.
(f)	FBL DMF (23.89 - Million)	11,944,247	17,916,371	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 08 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.
(g)	FBL LTF (19.144 - Million)	7,179,000	11,965,000	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 06 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.

	Banking Companies	2016 Rupees	2015 Rupees	Rate Per annum	Number of remaining installments	Salient features
(h)	FBL DMF (56.814 - Million)	31,958,303	46,161,994	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 09 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.
(i)	FBL DMF (17.773 - Million)	13,330,075	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. 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. 50 Million.
	National Bank of Pakistan					
(j)	Demand Finance III (38 - Million)	4,750,000	14,250,000	3M KIBOR+2.5%	The loan is repayable in 16 equal quarterly installments ending on 30 September, 2016. Remaining 02 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					
(k)	Diminishing Musharka (158.805 - Million)	158,805,955	-	6M KIBOR+0.9 %	The loan is repayable in 20 equal quarterly installments including grace period of one year ending on 09 December, 2021. Remaining 20 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. 163 Million. This facility, along with facility (l) is secured by way of ranking charge over fixed assets of the Company already registered for Rs. 26.5 Million and Rs. 40 Million and joint pari passu charge over the fixed assets of the Company amounting to Rs.220 Million.
(l)	Diminishing Musharka (10.00 - Million)	10,000,000	-	6M KIBOR+0.9 %	The loan is repayable in 48 equal monthly installments including grace period of one year ending on 09 December, 2020.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 10 Million.
(m)	Term Finance-I (15 - Million)	-	937,500	6M KIBOR+2 %	The loan was repayable in 48 equal monthly installments including grace period of one year ended on 13 September, 2015.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan had sanctioned limit of Rs. 15 Million. This facility was secured by way of joint pari passu charge to the extent of Rs.220 Million over present and future fixed assets of the Company.
(n)	Term Finance-II (5.42 - Million)	1,354,500	2,370,375	6M KIBOR+2 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 31 March, 2017. Remaining 04 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, along with facility (o), (p), (q) and (r) is secured by way of joint pari passu charge to the extent of Rs.220 Million over present and future fixed assets of the Company.
(o)	Term Finance-III (8.82 - Million)	2,206,000	4,412,000	6M KIBOR+2 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 1 April, 2017. Remaining 4 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.

	Banking Companies		2016 Rupees	2015 Rupees	Rate Per annum	Number of remaining installments	Salient features
(p)	Term Finance-IV (37.26 - Million)		9,314,500	18,629,000	6M KIBOR+2 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 3 May, 2017. Remaining 4 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.
(q)	Term Finance-V (56 - Million)		31,500,000	45,500,000	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 09 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.
(r)	Term Finance-VI (50 - Million)		31,250,000	43,750,000	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 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.
	Askari Bank Limited						
(s)	Term Finance I (11.089 - Million)		11,089,402	-	6M KIBOR+1.5 %	The loan is repayable in 08 equal quarterly installments ending on 04 April, 2018. Remaining 08 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. 11.5 Million. This loan facility is secured by way of ranking charge over fixed assets of the Company of Rs.15 Million.
	Bank of Punjab						
(t)	Term Finance I (17.83 - Million)		12,259,500	16,717,500	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 11 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						
(u)	Term Finance-I (54.32 - Million)		-	3,395,000	3M KIBOR+2 %	The loan was repayable in 16 equal quarterly installments including grace period of one year ended on 30 September, 2015.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan had sanctioned limit of Rs. 60 Million. This loan facility was secured by way of ranking charge over fixed assets of the Company of Rs.80 Million.
			358,018,822	279,602,943			
	Less: Current maturity of long term financing	9	(115,410,959)	(104,193,168)			
			242,607,863	175,409,775			

7	Liabilities against assets subject to finance lease	Note	2016 Rupees	2015 Rupees
	Present value of minimum lease payments		-	583,691
	Less: Current portion shown under current liabilities	9	-	(583,691)
			-	-

The minimum lease payments have been discounted at an implicit interest rate of 12 month KIBOR plus 2.5% to arrive at their present value. At the end of the lease term, the assets have been transferred in the name of the lessee. The amount of the future payments and the period in which they were due are:

	2016		2015	
	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	-
Future finance cost	-	-	24,888	-
Present value of lease liability	-	-	583,691	-

During the year, the Company has availed the option to purchase the assets at the expiry of lease term.

8	Deferred liabilities	Note	2016 Rupees	2015 Rupees
	Staff retirement benefits	8.1	18,258,395	18,788,298
	Deferred tax liability	8.2	177,549,943	151,819,170
			195,808,338	170,607,468

8.1 Staff gratuity

The latest actuarial valuation of the Company's defined benefit plan, was conducted at 30 June 2016 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	2016 Rupees	2015 Rupees
	Present value of defined benefit obligation	8.1.4	18,258,395	18,788,298
	Liability at end of the year		18,258,395	18,788,298

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

Current service cost	10,423,182	8,853,021
Interest cost	1,331,890	1,515,469
Charge to profit and loss	11,755,072	10,368,490

8.1.3 Included in other comprehensive income:

Experience adjustment on obligation		
(Credit) / charge to other comprehensive income	(2,029,195)	1,764,051
	(2,029,195)	1,764,051

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

Liability at beginning of the year		18,788,298	16,219,250
Charge for the year	8.1.2	11,755,072	10,368,490
Actuarial (gain) / loss charged to OCI	8.1.3	(2,029,195)	1,764,051
Benefits paid during the year		(10,255,780)	(9,563,493)
Liability at end of the year		18,258,395	18,788,298

8.1.5 Movement in the liability recognized in the balance sheet is as follows:	2016 Rupees	2015 Rupees
Present value of defined benefit obligation at beginning of the year	**18,788,298**	16,219,250
Current service cost	**10,423,182**	10,368,490
Interest cost	**1,331,890**	-
Benefits paid	**(10,255,780)**	(9,563,493)
Remeasurement (gain) / loss on obligation	**(2,029,195)**	1,764,051
Present value of defined benefit obligation at the end of the year	**18,258,395**	18,788,298

8.1.6 Amounts recognized in the profit and loss account	2016 Rupees	2015 Rupees
Current service cost	**10,423,182**	**8,853,021**
Interest cost	**1,331,890**	**1,515,469**
	11,755,072	10,368,490

8.1.7 Actuarial assumptions	2016	2015
Valuation discount rate	**9.75%**	13.25%
Expected rate of increase in salaries	**6.25%**	8.75%
Average expected remaining working lifetime of employees	**6 years**	5 years

8.1.8 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%	(994,686)	1,151,889
Salary growth rate	1%	1,213,130	(1,069,450)

8.1.9 The average duration of the defined benefit obligation is 6 years. The Company expects to charge Rs. 10.30 million to profit and loss account on account of defined benefit plan in 2017.

8.2 Deferred tax liability	*Note*	2016 Rupees	2015 Rupees
Taxable temporary difference:			
Accelerated tax depreciation		**183,511,152**	155,877,443
Deductible temporary differences:			
Staff retirement benefits		**(3,797,633)**	(4,058,273)
Provision for doubtful debts		**(200,717)**	-
Unused tax losses		**(1,962,859)**	
		177,549,943	151,819,170

9 Current portion of long term liabilities

Long term financing	*6*	**115,410,959**	104,193,168
Liabilities against assets subject to finance lease	*7*	**-**	583,691
		115,410,959	104,776,859

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10	Short term borrowing - secured	Note	2016 Rupees	2015 Rupees
	From banking companies:			
	Short term cash finance		470,937,547	423,976,273
	Short term running finance		947,638	9,289,912
	Finance against imported merchandise		-	22,144,305
			471,885,185	455,410,490

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 (2015: Rs.979 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 2017.

Mark-up on facilities is charged at the rates ranging from 6.60% to 8.90% (2015: 7.65% to 12.18%) per annum payable quarterly.

The aggregate available short term funded facilities amount to Rs. 2,795 Million (2015: Rs. 3,265 Million).

11	Trade and other payables	Note	2016 Rupees	2015 Rupees
	Trade creditors		24,046,165	21,527,027
	Accrued liabilities	*11.2*	77,861,157	119,751,663
	Advances from customers		24,512,105	1,382,421
	Payable to Workers' Profit Participation Fund	*11.1*	2,287,764	2,412,830
	Payable to Worker Welfare Fund		869,350	1,362,966
	Withholding tax payable		174,427	109,838
	Withholding sales tax payable		691,266	458,849
	Security refundable	*11.3*	5,882,658	5,000,000
	Payable to commission and clearing agents		3,855,111	9,491,130
	Other payables		5,089,140	1,443,814
			145,269,143	162,940,538

11.1 Workers' Profit Participation Fund

	Note	2016	2015
Balance as at 01 July		2,412,830	9,619,037
Provision for the year	*29*	2,287,764	2,412,830
Interest for the year	*27*	144,770	887,323
		4,845,364	12,919,190
Payments made during the year		(2,557,600)	(10,506,360)
Balance as at 30 June		2,287,764	2,412,830

11.2 This includes Rs. 28.786 million booked on account of Gas Infrastructure Development Cess (GIDC) for the period from August 2014 to March 2016. The Company, along with various other companies has challenged the legality and validity of levy and demand of GIDC in Honorable Lahore High Court which is pending adjudication. However, on a prudent basis, the Company has recorded the GIDC amount for the mentioned period. Further, due to non payment, default surcharge of Rs. 5.167 million for the period from September 2015 to June 2016 has been imposed on the Company, which has not been recorded in these financial statements based on the opinion of legal advisor. The management is hopeful that the Company will not be required to pay the default surcharge.

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

	2016 Rupees	2015 Rupees
12 Mark-up accrued		
Long term financing - secured	4,280,093	6,615,137
Short term borrowings - secured	10,911,944	9,569,330
	15,192,037	16,184,467

13 Contingencies and commitments

13.1 Contingencies

13.1.1 The Company 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, had 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 was filed against the declaration that after 28 December 2006, the Excise Department had collected the infrastructure cess / fee in accordance with law. The Province of Sindh and Excise and Taxation Department had 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. 7.07 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 ended 2015. Subsequently, FBR restored facility of zero rating on supply of electricity and gas in sales tax general orders no. 160 & 161 of 2015. Afterwards, the Company received notice from LESCO demanding Rs. 37.01 million on account of sales tax relating to the period during which zero rating facility was suspended. The Company challenged the notice in the Honorable Lahore High Court. The Court has granted interim relief and the matter is pending adjudication. Management believes that a favorable decision shall be passed by the Court.

13.2 Commitments

13.2.1 Aggregate amount of bank guarantees issued by banks outstanding as at balance sheet date amounted to Rs. 40.944 million (2015: Rs. 33.376 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. 5.349 million (2015: Rs. 140.731 million).

14 Property, plant and equipment

	2016										
	Cost					Accumulated Depreciation					
	As at 01 July 2015	Additions/ transfers during the year	Disposals/ adjustments during the year	As at 30 June 2016	Rate	As at 01 July 2015	Charge for the year	Transfers during the year	Disposals during the year	As at 30 June 2016	Net book value as at 30 June 2016
	Rupees				%	Rupees					
Owned											
Land freehold	34,857,369	-	-	34,857,369		-	-	-	-	-	34,857,369
Buildings on freehold land	214,993,503	26,201,728	-	241,195,231	5	81,481,730	6,784,763	-	-	88,266,493	152,928,738
Plant and machinery	1,664,893,806	197,080,509	(12,486,076)	1,849,488,239	10 & 5	663,127,729	80,729,077	-	(9,574,358)	734,282,448	1,115,205,791
Vehicles	4,254,754	2,383,000	-	6,637,754	20	2,739,250	479,337	1,149,347	-	4,367,934	2,269,820
Furniture and fittings	3,108,031	24,800	-	3,132,831	10	1,982,045	113,765	-	-	2,095,810	1,037,021
Electric installation	72,537,273	11,672,562	-	84,209,835	10	45,101,884	3,038,192	-	-	48,140,076	36,069,759
Tools and equipment	9,004,000	-	-	9,004,000	10	5,737,053	326,695	-	-	6,063,748	2,940,252
Office equipment	6,841,015	414,191	-	7,255,206	10	2,648,354	441,989	-	-	3,090,343	4,164,863
Tube well	4,271,530		-	4,271,530	10	474,067	379,746	-	-	853,813	3,417,717
	2,014,761,281	237,776,790	(12,486,076)	2,240,051,995		803,292,112	92,293,564	1,149,347	(9,574,358)	887,160,665	1,352,891,330
Leased											
Vehicles	2,383,000	(2,383,000)	-	-	20	1,061,229	88,118	(1,149,347)		-	-
	2,017,144,281	235,393,790	(12,486,076)	2,240,051,995		804,353,341	92,381,682	-	(9,574,358)	887,160,665	1,352,891,330

MMA

	2015										
	Cost					Accumulated Depreciation					
	As at 01 July 2014	Additions/ transfers during the year	Disposals during the year	As at 30 June 2015	Rate	As at 01 July 2014	Charge for the year	Transfers during the year	Disposals 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 fixture	3,076,431	31,600	-	3,108,031	10	1,857,521	124,524	-	-	1,982,045	1,125,986
Electric installation	71,546,849	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
	2,383,000	-	-	2,383,000		730,786	330,443	-	-	1,061,229	1,321,771
2015	1,970,633,916	46,510,365	-	2,017,144,281		717,585,669	86,767,672	-	-	804,353,341	1,212,790,940

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

	Note	2016 Rupees	2015 Rupees
Cost of sales	24	90,997,279	85,471,111
Administrative expenses	25	1,384,403	1,296,561
		92,381,682	86,767,672

14.2 Disposal of property, plant and equipment

Particular	Particulars of buyers	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal
		Rupees				
Ring Frames	Salman Noman Enterprises	1,563,658	1,202,794	360,864	350,000	Negotiation
Ring Frames	Salman Noman Enterprises	9,381,942	7,216,774	2,165,168	2,100,000	Negotiation
Crosroll Filter	Ghulam Nabi	1,540,476	1,154,790	385,686	255,529	Negotiation
2016		12,486,076	9,574,358	2,911,718	2,705,529	
2015		-	-	-	-	

15 Intangibles

	Note	2016 Rupees	2015 Rupees
Computer software			
Cost	*15.1*	**1,973,122**	1,973,122
Less: Accumulated amortisation	*15.2*	**(1,085,215)**	(690,591)
		887,907	1,282,531
Amortization rate		**20%**	20%

15.1 Cost

	2016	2015
At beginning of the year	**1,973,122**	1,973,122
Additions during the year	-	-
At end of the year	**1,973,122**	1,973,122

15.2 Accumulated amortisation

	2016	2015
At beginning of the year	**690,591**	295,967
Amortisation for the year	**394,624**	394,624
At end of the year	**1,085,215**	690,591

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

16 Capital work in progress

	2016 Rupees	2015 Rupees
Civil works	-	3,082,538
	-	3,082,538

17 Long term deposits

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

18 Stores, spare parts and loose tools

	Note	2016	2015
Stores		**15,064,418**	13,327,081
Spare parts and loose tools		**31,780,740**	20,113,716
		46,845,158	33,440,797

19 Stock in trade

	Note	2016	2015
Raw material	*19.1*	**568,639,671**	559,297,091
Packing material	*19.2*	**6,666,054**	8,986,865
Work in process		**16,380,099**	20,141,229
Finished goods		**47,291,449**	109,519,165
		638,977,273	697,944,350

19.1 Raw materials amounting to Rs. 512 million (2015: Rs. 475 million) are pledged with lenders as security against short term borrowings as mentioned in note 10.1.

19.2 Packing material which was previously included in stores, spares and loose tools has been reclassified to stock in trade for better presentation.

		Note	2016 Rupees	2015 Rupees
20	**Trade debts**			
	Foreign debtors - secured considered good		-	9,600,892
	Local debtors - unsecured considered good		63,315,127	81,469,254
	Considered doubtful		857,758	-
	Provision for doubtful debts	25	(857,758)	-
			63,315,127	81,469,254
			63,315,127	91,070,146
21	**Advances, deposits and prepayments**			
	Advances to employees - *considered good*		524,914	891,640
	Advances to suppliers - *considered good*			
	- local		1,631,031	310,594
	- foreign		-	800,792
	Security deposits		6,000	242,300
	Sales tax receivable		140,252,913	67,109,759
	Advance against letters of credit		722,199	126,350
	Margin on bank guarantees		7,996,427	6,496,427
	Prepayments		2,149,267	114,190
			153,282,751	76,092,052
22	**Cash and bank balances**			
	Cash in hand		1,974,821	368,180
	Cash at bank:			
	Current accounts		71,907,242	109,080,418
	Saving account	22.1	10,109	9,745
			73,892,172	109,458,343

22.1 These carry mark-up on saving account at 3% to 4% (2015: 5% to 6%) per annum.

		2016	2015
23	**Sales - net**		
	Local:		
	Cotton yarn	2,605,510,587	2,581,398,423
	Waste sales	113,492,983	104,840,884
	Raw material	70,571,539	-
	Export:		
	Cotton yarn	108,729,758	640,832,004
		2,898,304,867	3,327,071,311
	Less: Sales tax	(79,723,637)	(51,622,448)
		2,818,581,230	3,275,448,863

24 Cost of sales

	Note	2016 Rupees	2015 Rupees
Raw material consumed		**1,689,143,903**	2,125,061,266
Salaries, wages and benefits		**181,537,929**	185,424,856
Power and fuel		**360,008,259**	440,835,002
Stores and spares consumed		**60,489,096**	57,122,116
Packing material consumed		**44,103,148**	58,881,044
Repair and maintenance		**41,261,457**	16,510,933
Vehicles running and maintenance		**1,613,514**	1,610,655
Insurance		**10,302,363**	10,417,046
Staff retirement benefits		**11,195,115**	9,953,750
Rent, rates, taxes and telephone charges		**886,590**	841,508
Freight charges		**562,282**	350,830
Entertainment		**482,295**	403,907
Depreciation	*14.1*	**90,997,279**	85,471,111
Other expenses		**13,866,118**	7,565,745
		2,506,449,348	3,000,449,769
Work in process			
Opening stock		**20,141,229**	20,369,173
Closing stock		**(16,380,099)**	(20,141,229)
		3,761,130	227,944
Cost of goods manufactured		**2,510,210,478**	3,000,677,713
Finished goods			
Opening stock		**109,519,165**	135,533,435
Closing stock		**(47,291,449)**	(109,519,165)
		62,227,716	26,014,270
Cost of sales - purchased products		**69,955,931**	-
		2,642,394,125	3,026,691,983

25 Administrative expenses

	Note	2016 Rupees	2015 Rupees
Salaries and other benefits		**14,763,054**	11,962,292
Traveling expenses		**79,034**	101,780
Telephone, postage and telegrams		**155,406**	227,877
Rent, rates and taxes		**1,688,335**	1,381,920
Power and fuel		**942,689**	1,080,873
Printing and stationery		**323,963**	301,199
Entertainment		**229,971**	287,030
Insurance		**138,280**	100,903
Repair and maintenance		**683,567**	769,838
Legal and professional charges		**1,053,335**	1,007,500
Auditors' remuneration	*25.1*	**250,000**	240,000
Vehicle running and maintenance		**1,140,973**	926,327
Charity and donation	*25.2*	**4,075,000**	2,050,000
Subscription fees		**168,139**	182,658
Staff retirement benefits		**559,957**	414,740
Provision for doubtful debts	*20*	**857,758**	-
Depreciation	*14.1*	**1,384,403**	1,296,561
Amortisation	*15.2*	**394,624**	394,624
Other expenses		**334,478**	799,732
		29,222,966	23,525,854

	2016 Rupees	2015 Rupees
25.1 Auditors' remuneration		
Audit fee	**200,000**	200,000
Out of pocket expense	**50,000**	40,000
	250,000	240,000

25.2 These donations were paid to Chaudhary Nasurullah Family Trust (the Trust). Mr. Tariq Mehmood, Mr. Javed Nasrullah and Mr. Raza Nasrullah, Directors of the Company, are on the Board of the Trust. Head office of the Trust is situated at 29-Shadman II, Lahore, Pakistan.

	Note	2016 Rupees	2015 Rupees
26 Distribution cost			
Freight and other expenses - *export*			
Ocean freight		**686,503**	4,731,749
Others		**10,218,598**	19,327,336
		10,905,101	24,059,085
Salaries and other benefits		**272,530**	42,266
Freight and other expenses - local		**4,421,144**	7,604,402
Commission yarn sales - local		**16,144,235**	16,908,009
Loading and other expenses		**4,712,566**	6,080,191
		36,455,576	54,693,953
27 Finance cost			
Interest and mark-up on			
- Long term financing - *secured*		**26,981,725**	39,025,952
- Finance lease		**11,354**	93,530
- Short term borrowings - *secured*	*27.1*	**37,970,401**	75,614,049
Interest on Workers' Profit Participation Fund	*11.1*	**144,770**	887,323
Commission on bank guarantees		**83,135**	416,486
Bank charges		**305,092**	904,729
		65,496,477	116,942,069

27.1 Discounting charges which were previously included in distribution cost have been reclassified to finance cost for better presentation.

	Note	2016 Rupees	2015 Rupees
28 Other income			
From financial assets:			
Profit on saving accounts		**343**	672
Insurance claim against loss of stock due to fire		**28,476,000**	-
From non-financial assets:			
Income on sale of scrap		**257,916**	212,489
		28,734,259	213,161
29 Other expenses			
Workers' Profit Participation Fund	*11.1*	**2,287,764**	2,412,830
Workers' Welfare Fund		**869,350**	1,362,966
Loss on disposal of property, plant and equipment		**206,189**	-
Loss of stock due to fire		**27,743,872**	-
Exchange loss		**40,996**	5,551,559
		31,148,171	9,327,355

30 Taxation

	2016 Rupees	2015 Rupees
Current	8,477,762	28,988,941
Prior year	815,775	(3,890,939)
	9,293,537	25,098,002
Deferred tax (including prior year tax adjustment)	25,255,941	(11,162,223)
	34,549,478	13,935,779

30.1 Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit:

	2016 Rupees	2015 Rupees
Profit before taxation	42,598,174	44,480,810
	------- (Percentage) --------	
Applicable tax rate as per Income Tax Ordinance, 2001	32%	33%
	2016 Rupees	**2015 Rupees**
Tax effect of:	13,631,416	14,678,667
- income under Final Tax Regime	1,087,298	2,857,881
- prior year adjustment in deferred tax	-	(7,075,302)
- change in proportion of local and export sales	12,651,598	22,042,597
- tax rate adjustments	-	(23,337,490)
- prior year adjustment in current tax	815,775	(3,890,939)
- tax credits	(19,708,051)	(3,518,611)
- effect of minimum tax over tax under Normal Tax Regime	27,098,515	11,960,613
- others	(1,027,073)	218,363
	20,918,062	(742,888)
	34,549,478	13,935,779

31 Transactions with related parties

The Company is a subsidiary of Pak Kuwait Textiles Limited and accordingly all the associated undertakings of Pak Kuwait Textiles Limited are the related parties of the Company. Further, related parties include entities over which directors are able to exercise influence, directors and key management personnel. Transactions with related parties are as follows:

Related parties	Nature of transactions	2016 Rupees	2015 Rupees
Unigohar Homes (Private) Limited - Associated undertaking	Rent	1,584,000	1,320,000
Pak Kuwait Textiles Limited - Parent Company	Reimbursements	1,940,829	2,628,917
	Sale of raw material	57,828,150	-
Key management personnel	Remuneration	9,474,344	8,612,470
Chaudary Nasrullah Family Trust - Associated undertaking	Donations	4,075,000	1,100,000

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:

	2016 Rupees	2015 Rupees
Trade debts	63,315,127	91,070,146
Deposits and other receivables	12,705,781	32,670,709
Bank balances	71,917,351	109,090,163
Long term deposits	6,777,600	6,777,600
	154,715,859	239,608,618

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:

	2016 Rupees	2015 Rupees
Customers	63,315,127	91,070,146
Banking companies and financial institutions	79,913,778	115,586,590
Others	11,486,954	32,951,882
	154,715,859	239,608,618

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 Short term	Rating Long term	Rating Agency	2016 Rupees	2015 Rupees
National Bank of Pakistan	A-1+	AAA	JCR-VIS	4,081,849	3,120,435
Faysal Bank Limited	A1+	AA	PACRA	5,160,252	15,792,044
Faysal Bank Barkat Islamic Banking	A1+	AA	PACRA	257,990	2,103,350
Habib Bank Limited	A-1+	AAA	JCR-VIS	13,133,468	13,930,080
Bank Alfalah Limited	A1+	AA	PACRA	369	369
Bank Alfalah Limited Islamic Banking	A1+	AA	PACRA	7,952,900	2,409,124
Meezan Bank Limited	A-1+	AA	JCR-VIS	19,849,999	66,290,221
United Bank Limited	A-1+	AA+	JCR-VIS	5,544	5,544
MCB Bank Limited	A1+	AAA	PACRA	555,955	1,978,782
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	6,894,791	1,334,257
Bank Al Habib Limited	A1+	AA+	PACRA	12,005,110	1,935,969
Bank of Punjab	A1+	AA-	PACRA	1,854,148	189,988
Askari Bank Limited	A-1+	AA	JCR-VIS	164,976	-
				71,917,351	109,090,163
Margin on bank guarantees					
Faysal Bank Limited	A1+	AA	PACRA	7,996,427	6,496,427
				79,913,778	115,586,590

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:

	2016 Rupees	2015 Rupees
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	55,191,755	60,945,567
Past due 31-180 days	6,561,029	27,778,911
Past due 181 days -365 days	1,425,435	1,680,176
Past due 366 & above	136,908	665,492
	63,315,127	91,070,146

Further, the Company has policy of provision for doubtful debts which has been appropriately accounted for. As at year end, trade debts do not include any balance receivable from related parties (2015: 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.

	2016				
	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	358,018,822	414,285,037	138,220,976	276,064,061	-
Trade and other payables	111,645,091	111,645,091	111,645,091	-	-
Mark-up accrued	15,192,037	15,192,037	15,192,037	-	-
Short term borrowings	471,885,185	471,885,185	471,885,185	-	-
	956,741,135	1,013,007,350	736,943,289	276,064,061	-

	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	155,769,820	155,769,820	155,769,820	-	-
Mark-up accrued	16,184,467	16,184,467	16,184,467	-	-
Short term borrowings	455,410,490	455,410,490	455,410,490	-	-
	907,551,411	938,675,086	748,783,576	189,891,510	-

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.

	2016		2015	
	USD	Rupees	USD	Rupees
Foreign creditors	23,493	2,457,318	-	-
Foreign debtors	-	-	94,497	9,600,892
Net exposure	23,493	2,457,318	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	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
USD to PKR	103.10	101.41	104.60	101.6

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.

	2016 Rupees	2015 Rupees
Effect on profit or loss		
US Dollars	245,732	960,089

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	
	2016 %	2015 %	2016 Rupees	2015 Rupees
Financial liabilities				
Variable rate instruments:				
Long term loans - secured	7.65 - 11.36	12.45 - 12.95	358,018,822	279,602,943
Short term borrowing - secured	6.60 - 8.90	7.65 - 12.18	471,885,185	455,410,490

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 2015.

	Profit and loss 100 bps	
	Increase Rupees	Decrease Rupees
As at 30 June 2016		
Cash flow sensitivity-Variable rate financial liabilities	8,299,040	(8,299,040)
As at 30 June 2015		
Cash flow sensitivity-Variable rate financial liabilities	7,350,134	(7,350,134)

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.

32.5 **Financial instruments-fair values**

The additional disclosures due to the adoption of IFRS 13 *Fair value measurement* are as follows :

		Carrying Amount			Fair Value		
		Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
On-Balance sheet financial instruments	*Note*	Rupees					
30 June 2016							
Financial assets measured at fair value		-	-	-	-	-	-
		-	-	-	-	-	-
Financial assets not measured at fair value							
Cash and bank balances		73,892,172	-	73,892,172	-	-	-
Deposits and other receivables		12,705,781	-	12,705,781	-	-	-
Long term deposits		6,777,600	-	6,777,600	-	-	-
Trade debts - unsecured, considered good		63,315,127	-	63,315,127	-	-	-
	32.5.1	156,690,680	-	156,690,680	-	-	-
Financial liabilities measured at fair value		-	-	-	-	-	-
		-	-	-	-	-	-
Financial liabilities not measured at fair value							
Long term financing - secured		-	358,018,822	358,018,822	-	-	-
Trade and other payables		-	111,645,091	111,645,091	-	-	-
Short term borrowings		-	471,885,185	471,885,185	-	-	-
Accrued mark up		-	15,192,037	15,192,037	-	-	-
	32.5.1	-	956,741,135	956,741,135	-	-	-

32.5.1 The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

33 Remuneration of key management personnel

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

	Executive Director		Executives	
	2016	2015	2016	2015
	(Rupees)			
Managerial remunerations	**2,240,000**	1,960,000	**5,630,800**	5,283,600
Retirement benefits	**146,667**	128,333	**368,683**	345,950
Utilities	**160,000**	140,000	**402,200**	377,400
Leave Encashment	**116,667**	100,000	**202,833**	157,834
Medical expenses	**149,986**	57,042	**56,508**	62,311
	2,813,320	2,385,375	**6,661,024**	6,227,095
Number of persons	1	1	7	7

33.1 No remuneration or any other benefits are being paid to the Chief Executive Officer of the Company (2015: Nil).

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

	2016	2015
	(Number of persons)	
- As at 30 June	**665**	769
- Average number of employees	**717**	802

34 Plant capacity and actual production

Spinning	*Unit*	2016	2015
Number of spindles installed	*No.*	**45,408**	41,376
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**18,049,282**	15,156,199
Actual production converted into 20s count	*Kgs*	**16,191,037**	18,276,912

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 according to the pattern of production adopted in a particular year.

35 Date of authorization for issue

These financial statements were authorized for issue on 08 OCT 2016 by the Directors of the Company.

Lahore

Chief Executive

Director