Pak Kuwait Textiles Limited

Financial Statements for the year ended
30 June 2015

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Servis House
2-Main Gulberg Jail Road,
Lahore Pakistan

Telephone + 92 (42) 3579 0901-6
Fax + 92 (42) 3579 0907
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of **Pak Kuwait Textiles Limited ("the Company")** as at 30 June 2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

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

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

Date: 09 October 2015

Lahore

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

PAK KUWAIT

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

FINANCIAL HIGHLIGHTS

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

	30.06.2015 (Rs.)	30.06.2014 (Rs.)
Sales (Net)	3,486,952,601	3,997,199,935
Gross Profit	212,130,633	465,233,299
Profit before Taxation	46,308,514	243,095,742
Taxation	(19,531,422)	(50,308,424)
Profit after Taxation	26,777,092	192,787,318
Total Comprehensive Income for the year	24,965,631	198,010,625
Un-appropriated Profit brought forward	1,316,044,359	1,286,783,734
Dividend	93,750,000	168,750,000
Un-appropriated Profit carried forward	**1,247,259,990**	**1,316,044,359**
Earnings per Share	**0.71**	**5.14**

COMPANY PERFORMANCE

During the year, your company earned a pre-tax Profit of Rs. 46,308,514 as against a pre-tax Profit of Rs. 243,095,742 in the last financial year representing 80.95 % year on year decrease. The Gross Profit Margin decreased by 54 % as compared to F/Y 2014. The major factor for this decrease was an international slump in commodity prices due to a global decrease in the demand for yarn. The increased productivity and availability of subsidized imported yarn on competitive rates from India and the decreased demand abroad for local yarn further decreased the yarn prices locally. Major components of conversion cost kept on increasing throughout the year owing to general inflationary trends. Partial increase in conversion cost was offset by achieving higher production efficiency. Your company earned a profit after tax is Rs. 26,777,092 as compared to last year profit after tax of Rs. 192,787,318 (F/Y 2014) which represents 87 % 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: Hadali Town, Jauharabad. **Phone:** +92 454-739181-3 **Fax:** +92 454-739184

PAK KUWAIT

BALANCING MODERNIZATION & REPLACEMENT (BMR)

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

- Compact Spinning Equipment
- Simplex Machine
- Upgradation of Simplex Machine

FUTURE PROSPECTS

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

PATTERN OF SHAREHOLDING

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

AUDITORS

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

PAK KUWAIT

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
09 October 2015

(TARIQ MEHMOOD)
Chief Executive

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: Hadali Town, Jauharabad. **Phone:** +92 454-739181-3 **Fax:** +92 454-739184

Pak Kuwait Textiles Limited

Unconsolidated Balance Sheet

As at 30 June 2015

	Note	2015 Rupees	2014 Rupees
EQUITY AND LIABILITIES			
Share capital and reserve			
Authorized share capital			
40,000,000 (2014: 40,000,000) ordinary shares of Rs. 10 each		**400,000,000**	400,000,000
Issued, subscribed and paid-up capital	*4*	**375,000,000**	375,000,000
Accumulated profit		**872,259,990**	941,044,359
		1,247,259,990	1,316,044,359
Non-current liabilities			
Long term financing - secured	*5*	**101,571,035**	127,502,745
Liabilities against assets subject to finance lease	*6*	**-**	401,234
Deferred liabilities	*7*	**91,646,658**	94,552,284
		193,217,693	222,456,263
Current liabilities			
Current portion of long term liabilities	*8*	**41,030,990**	52,085,882
Short term borrowings - secured	*9*	**361,680,053**	253,772,060
Trade and other payables	*10*	**177,820,694**	225,750,615
Mark-up accrued	*11*	**9,476,817**	18,772,196
		590,008,554	550,380,753
		2,030,486,237	2,088,881,376
Contingencies and commitments	*12*		

	Note	2015 Rupees	2014 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**686,787,945**	727,495,758
Intangibles	*14*	**6,000,941**	7,793,923
Long term deposits	*15*	**5,683,100**	5,616,900
Long term investments	*16*	**331,190,000**	331,190,000
		1,029,661,986	1,072,096,581
Current assets			
Stores, spare parts and loose tools	*17*	**40,845,074**	35,445,146
Stock in trade	*18*	**503,332,561**	597,741,661
Short term investments	*19*	**10,312,970**	8,483,121
Trade debts - considered good		**143,990,315**	264,294,634
Advances, deposits and prepayments	*20*	**110,840,676**	53,880,924
Other receivables		**9,945,824**	3,300,518
Advance tax - net		**61,052,210**	46,292,685
Cash and bank balances	*21*	**120,504,621**	7,346,105
		1,000,824,251	1,016,784,794
		2,030,486,237	2,088,881,375

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore 09 OCT 2015

Chief Executive

Director

Pak Kuwait Textiles Limited

Unconsolidated Profit and Loss Account

For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	22	3,486,952,601	3,997,199,935
Cost of sales	23	(3,274,821,968)	(3,531,966,636)
Gross profit		212,130,633	465,233,299
Administrative expenses	24	(41,102,553)	(45,064,618)
Distribution cost	25	(52,481,937)	(80,915,849)
		(93,584,490)	(125,980,467)
Operating profit		118,546,143	339,252,832
Finance cost	26	(70,146,659)	(102,497,160)
		48,399,484	236,755,672
Other income	27	3,025,841	23,841,437
Other expenses	28	(5,116,811)	(17,501,367)
Profit before taxation		46,308,514	243,095,742
Taxation	29	(19,531,422)	(50,308,424)
Profit after taxation		26,777,092	192,787,318

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore 09 OCT 2015 Chief Executive Director

Pak Kuwait Textiles Limited
Unconsolidated Statement of Comprehensive Income
For the year ended 30 June 2015

	2015 Rupees	2014 Rupees
Profit after taxation	**26,777,092**	192,787,318
Other comprehensive income		
Items that will never be reclassified to profit and loss account		
Remeasurement of defined benefit obligation	**(2,193,052)**	6,553,710
Related deferred tax	**381,591**	(1,330,403)
	(1,811,461)	5,223,307
Total comprehensive income for the year	**24,965,631**	198,010,625

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore 09 OCT 2015

Chief Executive

Director

Pak Kuwait Textiles Limited

Unconsolidated Cash Flow Statement

For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
Cash flows from operating activities			
Profit before taxation		46,308,514	243,095,742
Adjustments for:			
Depreciation	13	69,703,725	66,145,247
Amortisation	14	1,792,982	1,170,986
Finance cost		68,940,059	100,441,079
Gain on disposal of property, plant and equipment		(735,131)	(363,391)
Un realized gain on re-measurement of investments at fair value		(1,885,199)	(4,303,638)
Provision for Worker's Profit Participation Fund		3,692,192	15,085,936
Provision for Worker's Welfare Fund		917,738	4,471,512
Staff retirement benefits		17,913,992	17,744,135
		160,340,358	200,391,866
Cash generated from operations before working capital changes		206,648,872	443,487,608
Effect on cash flow due to working capital changes			
Decrease/(increase) in current assets:			
Stores, spare parts and loose tools		(5,399,928)	2,575,147
Stock in trade		94,409,100	86,724,568
Trade debts		120,304,319	33,790,531
Advances, deposits and prepayments		(56,959,752)	(1,108,714)
Other receivables		(6,645,306)	104,190
		145,708,433	122,085,722
(Decrease)/increase in current liabilities:			
Trade and other payables		(33,831,884)	34,090,534
		111,876,549	156,176,256
Cash generated from operations		318,525,421	599,663,864
Finance cost paid		(78,235,438)	(111,483,365)
Staff retirement benefits paid		(17,701,105)	(11,910,262)
Worker's Profit Participation Fund paid		(14,236,455)	(9,098,937)
Worker's Welfare Fund paid		(4,471,512)	(1,142,422)
Taxes paid		(39,220,921)	(47,004,137)
Long term deposits		(66,200)	-
		(153,931,631)	(180,639,123)
Net cash generated from operating activities		164,593,790	419,024,741
Cash flows from investing activities			
Capital expenditure incurred		(30,251,881)	(170,119,933)
Short term investments		55,350	8,762,078
Proceeds from disposal of property, plant and equipment		1,991,100	7,284,340
Net cash used in investing activities		(28,205,431)	(154,073,515)
Cash flows from financing activities			
Long term financing - net		(35,179,756)	71,019,857
Short term borrowings - net		127,137,205	(210,299,575)
Payment of finance lease liabilities		(2,208,080)	(2,074,467)
Dividend paid		(93,750,000)	(168,750,000)
Net cash used in financing activities		(4,000,631)	(310,104,185)
Net increase/(decrease) in cash and cash equivalents		132,387,728	(45,152,959)
Cash and cash equivalents at beginning of the year		(11,883,107)	33,269,852
Cash and cash equivalents at end of the year		120,504,621	(11,883,107)

Cash and cash equivalents comprise of the following:

	Note	2015 Rupees	2014 Rupees
Cash and bank balances	21	120,504,621	7,346,105
Running finance	9	-	(19,229,212)
		120,504,621	(11,883,107)

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore 09 OCT 2015

Chief Executive

Director

Pak Kuwait Textiles Limited

Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Share capital	Accumulated profit	Total
	------------	Rupees	------------
Balance as at 30 June 2013	375,000,000	911,783,734	1,286,783,734
Total comprehensive income for the year			
Profit for the year ended 30 June 2014	-	192,787,318	192,787,318
Other comprehensive income for the year ended 30 June 2014	-	5,223,307	5,223,307
	-	198,010,625	198,010,625
Transactions with owners of the Company:			
1st interim cash dividend at Rs. 3 per share for the year ended 30 June 2014	-	(112,500,000)	(112,500,000)
2nd interim cash dividend at Rs. 1.50 per share for the year ended 30 June 2014	-	(56,250,000)	(56,250,000)
	-	(168,750,000)	(168,750,000)
Balance as at 30 June 2014	**375,000,000**	**941,044,359**	**1,316,044,359**
Total comprehensive income for the year			
Profit for the year ended 30 June 2015	-	26,777,092	26,777,092
Other comprehensive loss for the year ended 30 June 2015	-	(1,811,461)	(1,811,461)
	-	24,965,631	24,965,631
Transactions with owners of the Company:			
1st interim cash dividend at Re. 1 per share for the year ended 30 June 2015	-	(37,500,000)	(37,500,000)
2nd interim cash dividend at Rs. 1.50 per share for the year ended 30 June 2015	-	(56,250,000)	(56,250,000)
	-	(93,750,000)	(93,750,000)
Balance as at 30 June 2015	**375,000,000**	**872,259,990**	**1,247,259,990**

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore 09 OCT 2015

Chief Executive

Director

1 Reporting Entity

Pak Kuwait Textiles Limited ("the Company") was incorporated in Pakistan in 1981 as a Public Limited Company (unquoted) under Companies Act, 1913 (now Companies Ordinance, 1984). The principal activity of the Company is manufacturing and sale of cotton polyester blended yarn, 100% carded and combed yarn and manufacturing and export of finished garments. The Company commenced its operations from September 1981. The registered address of the Company is 29-Shadman II, Lahore, Pakistan.

2 Basis of preparation

2.1 Separate financial statements

These financial statements are the separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. Consolidated financial statements of the Company are prepared separately.

The Company has the following major investment:

Name of the Company	**2015**	2014
	(Shareholding)	
Subsidiary		
Al Nasr Textiles Limited	**96.84%**	96.84%

2.2 Statement of compliance

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

2.3 Standards, amendments and interpretations and forth coming requirements

2.3.1 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 unconsolidated financial statements of the Company.

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

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

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

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The management is currently considering the effect of the new standard.

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

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

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

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

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

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

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

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

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

2.4 Basis of measurement

These unconsolidated 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. The methods used to measure fair values are discussed further in their respective policy notes.

2.5 Functional and presentation currency

These unconsolidated 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.

2.6 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 unconsolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.6.1 *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.

2.6.2 *Intangibles*

The Company reviews the rate of amortization 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 amortization charge and impairment.

2.6.3 *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.

2.6.4 *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.

2.6.5 *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.

2.6.6 *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.

2.6.7 *Fair value of investments*

The Company regularly reviews the fair value of investments, the estimate of fair values are directly linked to market value. Any change in estimate will effect the carrying value of investments with the corresponding impact on profit and loss account.

2.6.8 *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.

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

2.6.9 *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.

3 Significant accounting policies

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

3.1 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.

3.2 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.

3.3 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity respectively.

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.

Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences 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.

3.4 Staff retirement benefits

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

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

3.5 Trade and other payables

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

3.6 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.

3.7 Property, plant and equipment

Owned

Operating assets except freehold land is stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Depreciation is charged to income by applying the reducing balance method at rates indicated in note 13 to these unconsolidated 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 fixed assets is charged on full month basis from the month asset is capitalized, while no depreciation is charged in the month of disposal.

Major repairs and maintenance, which enhance 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 and loss on sale of an item of property, plant and equipment are determined by comparing the proceeds from sale with the carrying amount of property, plant and equipment, and are recognised net within "other income / other expenses" in profit or loss account.

Leased

Assets subject to finance lease are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired. The depreciation is provided on reducing balance method, starting on full month basis from the month of capitalization, by using the rates specified in note 13. The finance cost is calculated at the interest rates implicit in the lease and is charged to profit and loss.

3.8 Intangibles

Intangibles having finite useful life are stated at cost less accumulated amortisation and any identified impairment loss. These are amortized using the straight line basis at the rates given in note 14. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure on intangibles 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.

3.9 Investments

Investment in subsidiaries

Investments in subsidiaries are initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

Investments at fair value through profit and loss account

Investments classified as held for trading are initially recognized at fair value. Subsequent to initial recognition these investments are remeasured to fair value. Fair value represents quoted bid price of the securities. Directly attributable transaction costs are recognised in profit and loss as and when incurred. Any resulting gain or loss on remeasurement in respect of these investments is recognized in the profit and loss account in the period in which such gain/loss arises.

3.10 Stores, spare parts and stock in trade

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

Stores and spares	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.

3.11 Trade debts and other receivables

Trade debts and other receivables are stated at their nominal value as reduced by appropriate allowance for doubtful debts. Bad debts are written off as and when identified.

3.12 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.

3.13 Financial instruments

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

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

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

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

3.14 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.

3.15 Impairment losses

Financial assets

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

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

3.16 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the unconsolidated 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.

3.17 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.

3.18 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.

3.19 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Pak Rupees, which is the Company's functional currency, at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Exchange differences on conversion are charged to income.

3.20 Dividend to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability in the Company's financial statements in the year in which it is declared.

	2015	2014
	Rupees	Rupees
4 Issued, subscribed and paid-up capital		
2,500,000 (2014: 2,500,000) ordinary shares of Rs. 10 each fully paid in cash	**25,000,000**	25,000,000
35,000,000 (2014: 35,000,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	**350,000,000**	350,000,000
	375,000,000	375,000,000

4.1 Directors hold 13,223,591 (2014: 13,223,591) ordinary shares of Rs. 10 each of the Company.

5 Long term financing - secured

Banking Companies	Note	2015 Rupees	2014 Rupees	Mark-up Rate per annum (%)	Number of remaining installments	Salient features
National Bank of Pakistan						
Demand Finance-I (116.22 - M)		-	14,527,136	3 M KIBOR + 2%	The loan was repayable in 16 equal quarterly installments ended on 31 December 2014. This loan has been fully repaid during the year.	Company obtained this loan for the purpose of Balancing Modernization and Replacement (BMR). Loan had sanctioned limit of Rs. 116.22 Million. This loan facility was secured by way of first pari passu charge on fixed assets amounting to Rs. 355 Million along with specific charge on machinery of Rs. 53.33 million.
Demand Finance-III (40 - M)		-	12,500,000	3 M KIBOR + 2%	The loan was repayable in 16 equal quarterly installments ended on 31 May 2015. This loan has been fully repaid during the year.	Company had obtained this loan for the purpose of Balancing Modernization and Replacement (BMR). Loan had sanctioned limit of Rs. 40 Million. This loan facility was secured by way of first pari passu charge on fixed assets amounting to Rs. 355 Million along with specific charge on machinery of Rs. 53.33 million.
Bank Al-Habib Limited	*5.1*					
Term Finance-I (50 - M)		**43,750,000**	50,000,000	6 M KIBOR + 1.5%	The loan is repayable in 16 equal quarterly installments, including one year grace period, ending on 27 August 2018. Remaining 14 installments are to be paid till maturity of agreement.	Company has obtained this loan for the import of two Cummins DG Set 2000 KVA Generators. Loan has sanctioned limit of Rs. 50 Million. This facility is secured by way of Joint Pari Passu charge registered with SECP over fixed assets of company for Rs. 164.2 million

Banking Companies	Note	2015 Rupees	2014 Rupees	Mark-up Rate per annum (%)	Number of remaining installments	Salient features
Term Finance-II (36.99 - M)		**18,494,498**	27,741,749	6 M KIBOR + 2%	The loan is repayable in 16 equal quarterly installments, including grace period of one year, ending on 03 May 2017. Remaining 8 installments are to be paid till maturity of agreement.	Company has obtained this loan for the import of two Automatic Cone Winders. Loan has sanctioned limit of Rs. 38.5 Million. This facility is secured by way of Joint Pari Passu charge registered with SECP over fixed assets of company for Rs. 164.2 million.
Term Finance (car finance) (1.4 - M)		-	168,000	6 M KIBOR + 3%	The loan was repayable in 6 equal quarterly installments ended on 30 September 2014. This facility has been repaid during the year.	Company has obtained this loan for the purchase of Honda Civic Car. Loan had sanctioned limit of Rs. 1.4 Million. The facility was secured by hypothecation charge on vehicles amounting to Rs. 2 million and joint registration with Bank Al Habib.
Term Finance-III (6.2 - M)		**6,200,000**	6,200,000	6 M KIBOR + 1.5 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 31 March 2019.	Company obtained this loan in June 2014 for import of MK-7 Card machinery. Loan has sanctioned limit of Rs. 6.5 Million. The loan facility is secured by way of Joint Pari Passu charge registered with SECP over fixed assets of company for Rs. 164.2 million.
Faysal Bank Limited						
Term Finance-I (6.89 - M)		**4,976,921**	6,508,281	3 M KIBOR + 2.5%	The loan is repayable in 18 equal quarterly installments, including six months grace period, ending on 30 September 2018. Remaining 13 installments are to be paid till maturity of agreement.	Company has obtained this loan for the purpose of Balancing Modernization and Replacement (BMR). Loan has sanctioned limit of Rs. 20 Million. Loan is secured by way of First Pari Passu Charge over all present & future Fixed Assets of the Company amounting to Rs. 106 million.
Term Finance-II (9.64 - M)		**7,494,664**	9,636,000	3 M KIBOR + 2.5%	The loan is repayable in 18 equal quarterly installments, including six months grace period, ending on 29 November 2018. Remaining 14 installments are to be paid till maturity of agreement.	Company has obtained this loan for the purpose of Balancing Modernization and Replacement (BMR). Loan has sanctioned limit of Rs. 20 Million. Loan is secured by way of First Pari Passu Charge over all present & future Fixed Assets of the Company amounting to Rs. 106 million.

Banking Companies	Note	2015 Rupees	2014 Rupees	Mark-up Rate per annum (%)	Number of remaining installments	Salient features
Diminishing Musharaka-III (12.69 - M)		**12,685,327**	-	6 M KIBOR + 1.5%	The loan is repayable in 16 equal quarterly installments, including grace period of one year, ending on 30 September 2019.	Company has obtained this loan for Balancing Modernization and Replacement (BMR). Loan has sanctioned limit of Rs. 38.78 Million. Loan is secured by way of First Pari Passu Charge over all present & future Fixed Assets of the Company amounting to Rs. 106 million.
Diminishing Musharaka-IV (26.09 - M)		**26,099,160**	26,099,160	6 M KIBOR + 1.5%	The loan is repayable in 16 equal quarterly installments, including grace period of one year, ending on 23 April 2019.	Company has obtained this loan for Balancing Modernization and Replacement (BMR). Loan has sanctioned limit of Rs. 38.78 Million. Loan is secured by way of First Pari Passu Charge over all present & future Fixed Assets of the Company amounting to Rs. 106 million.
MCB Bank Limited						
Term Finance (24 - M)	5.1	**22,500,000**	24,000,000	6 M KIBOR + 1.5%	The loan is repayable in 16 equal quarterly installments, including grace period of one year, ending on 22 February 2019. Remaining 15 installments are to be paid till maturity of agreement.	Company has obtained this loan for the import of textile machinery. Loan had sanctioned limit of Rs. 24 Million. Loan is secured by way of 1st Joint Pari Passu charge over all present & future fixed assets of the Company amounting to Rs. 41.334 million.
		142,200,570	177,380,326			
Less: Current maturity of long term financing	8	**(40,629,535)**	(49,877,581)			
		101,571,035	127,502,745			

5.1 As per the financing document, the Company is required to comply with certain financial covenants which include current ratio and debt to equity ratio.

	Note	2015 Rupees	2014 Rupees
6 Liabilities against assets subject to finance lease			
Present value of minimum lease payments	6.1	**401,455**	2,609,535
Less: Current portion shown under current liabilities	8	**(401,455)**	(2,208,301)
		-	401,234

6.1 The minimum lease payments have been discounted at an implicit interest rate of 1 year KIBOR plus 2.5% to arrive at their present value. At the end of the lease term, the assets shall be transferred in the name of the lessee. The amount of the future payments and the period in which they will become due are:

	2015		2014	
	Not later than one year	**Later than one year but not later than five years**	Not later than one year	Later than one year but not later than five years
	Rupees			
Minimum lease payments	**409,265**	-	2,336,018	408,296
Future finance cost	**7,810**	-	127,717	7,062
Present value of lease liability	**401,455**	-	2,208,301	401,234

The rentals are payable in equal monthly installments. The Company has the option to purchase the assets at the expiry of lease term and the Company intends to exercise this option. Residual value of the leased assets has already been paid at the inception of the lease in the form of security deposits.

	Note	2015 Rupees	2014 Rupees
7 Deferred liabilities			
Staff retirement benefits	7.1	**36,682,968**	34,277,029
Deferred taxation	7.2	**54,963,690**	60,275,255
		91,646,658	94,552,284

7.1 Staff retirement benefits

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

	Note	2015 Rupees	2014 Rupees
7.1.1 The amounts recognized in the balance sheet are as follows:			
Present value of defined benefit obligation	7.1.4	**36,682,968**	34,277,029
Liability at end of the year		**36,682,968**	34,277,029

WMGMA

		Note	2015 Rupees	2014 Rupees
7.1.2	**The amounts recognized in the profit and loss account against defined benefit plan are as follows:**			
	Current service cost		**14,544,984**	14,694,753
	Interest cost		**3,369,008**	3,049,382
	Charge to profit and loss		**17,913,992**	17,744,135
7.1.3	**Included in other comprehensive income:**			
	Remeasurement of defined benefit obligation from			
	Experience adjustment on obligation		**2,193,052**	(6,553,710)
	Charge to other comprehensive income		**2,193,052**	(6,553,710)
7.1.4	**Movement in the liability recognized in the balance sheet is as follows:**			
	Liability at beginning of the year		**34,277,029**	34,996,866
	Charge to profit and loss	*7.1.2*	**17,913,992**	17,744,135
	Charge to other comprehensive income	*7.1.3*	**2,193,052**	(6,553,710)
	Benefits paid during the year		**(17,701,105)**	(11,910,262)
	Liability at end of the year		**36,682,968**	34,277,029
7.1.5	**Actuarial assumptions**			
	Valuation discount rate		**13.25%**	10.50%
	Expected rate of increase in salaries		**8.75%**	12.25%
	Average expected remaining working lifetime of employees		**6 years**	6 years

	2015	2014	2013	2012	2011
	Rupees				
7.1.6 **Available historical information**					
Present value of defined benefit obligation	**36,682,968**	34,277,029	34,996,866	30,531,147	22,916,722
Experience adjustment arising on plan liabilities loss / (gain)	**2,193,052**	(6,553,710)	(2,627,913)	3,623,203	(9,663,818)

Vamshya

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

	Impact on defined benefit obligation - increase/(decrease)		
	Change in assumptions	Increase in assumption	Decrease in assumption
		-------Rupees-------	
Discount rate	1%	(2,155,646)	2,487,665
Salary growth rate	1%	2,605,466	(2,302,522)

	Note	2015 Rupees	2014 Rupees
7.2 Deferred tax liability			
Taxable temporary difference			
Accelerated tax depreciation		**61,346,526**	66,587,503
Deductible temporary differences			
Staff retirement benefits		**(6,382,836)**	(5,957,690)
Others		**-**	(354,558)
		54,963,690	60,275,255
8 Current portion of long term liabilities			
Long term financing - secured	*5*	**40,629,535**	49,877,581
Liabilities against assets subject to finance lease	*6*	**401,455**	2,208,301
		41,030,990	52,085,882
9 Short term borrowings - secured			
From banking companies:			
Short term cash finance	*9.1*	**361,680,053**	234,542,848
Short term running finance		**-**	19,229,212
		361,680,053	253,772,060

WMKYA

9.1 These facilities have been obtained from various banking companies for working capital requirements. These include borrowings in foreign currency (US Dollars) amounting to Rs. 83.52 million (2014: Rs. Nil). These are secured by way of joint pari passu charge on current assets of the Company amounting to Rs. 1,202 million (2014: Rs.1,202 million) pledge of raw material, lien on import documents and personal guarantees of directors. These facilities are expiring on various dates latest by 30 June 2016.

Mark-up on local currency facilities is charged at the rates ranging from 7.68% to 12.21% (2014: 10.33% to 11.88%) per annum payable quarterly, whereas mark up on foreign currency facilities is charged at the rates ranging from 3.27% to 3.39% per annum(2014: Nil).

The aggregate available short term funded facilities amount to Rs. 3,105 million (2014: Rs. 2,905 million).

	Note	2015 Rupees	2014 Rupees
10 Trade and other payables			
Creditors		**20,946,849**	61,445,730
Accrued liabilities		**97,946,399**	52,539,014
Refundable security	*10.1*	**21,048,232**	21,045,732
Advances from customers		**13,934,155**	36,712,244
Withholding tax payable		**73,119**	673,954
Withholding sales tax payable		**246,548**	229,613
Payables to Workers' Profit Participation Fund	*10.2*	**2,485,592**	13,029,855
Payables to Workers' Welfare Fund		**917,738**	4,471,512
Payable to commission agents		**17,206,085**	24,268,282
Payable to clearing agents		**730,525**	447,988
Other payables		**2,285,452**	10,886,691
		177,820,694	225,750,615

10.1 These interest free security deposits are held by the Company against packing material contractors and loading/unloading contractors, and waste vendors. These are repayable on demand subject to clearance of dues.

	Note	2015 Rupees	2014 Rupees
10.2 Workers' Profit Participation Fund			
Balance as at 01 July		**13,029,855**	20,072,711
Interest for the year	*26*	**1,206,600**	2,056,081
Provision for the year	*28*	**2,485,592**	13,029,855
		16,722,047	22,128,792
Payments made during the year		**(14,236,455)**	(9,098,937)
Balance as at 30 June		**2,485,592**	13,029,855

		2015 Rupees	2014 Rupees
11	**Mark-up accrued**		
	Long term financing - secured	**3,797,504**	7,273,336
	Short term borrowings - secured	**5,679,313**	11,498,860
		9,476,817	18,772,196

12 Contingencies and commitments

12.1 Contingencies

12.1.1 The Company has filed an appeal before the Honorable Supreme Court of Pakistan against the judgment of the Division Bench of the Honorable High Court of Sindh at Karachi. The Division Bench, by judgment dated 15 September 2008, has partly accepted the appeal by declaring that the levy and collection of infrastructure cess / fee prior to 28 December 2006 was illegal and ultra vires and after 28 December 2006, it was legal and the same was collected by the Excise Department in accordance with the law. The appeal has been filed against the declaration that after 28 December 2006, the Excise Department has collected the infrastructure cess / fee in accordance with law. The Province of Sindh and Excise and Taxation Department has also preferred an appeal against the judgment decided against them. The Honorable Supreme Court consolidated both the appeals and were set aside. Thereafter, law has been challenged in constitution petition in the Honorable Sindh High Court Karachi. Stay has been granted by the Honorable High Court on 31 May 2011 on payment of 50% of the cess to the Excise Department and on furnishing of bank guarantee amounting to Rs. 20.76 million for remaining 50% to them. The petition is pending for hearing and stay is continuing.

12.1.2 The Company has received a demand notice of Rs. 2.607 million on 13 June 2013 from Additional Collector Customs (ACC) regarding alleged duties and taxes on DTRE sales. Appeal against the aforesaid order was filed in Appellate Tribunal Customs, Lahore Bench which has reserved its judgment. Management believes that a favorable decision shall be passed by the Tribunal. The Company's legal counsel concur with management's representation.

12.1.3 The tax department has raised an additional demand of Rs. 14.03 million for the tax year 2012. The Company has filed appeal against this demand which is pending adjudication. Management believes that the decision shall be passed in favour of the Company. Company's legal counsel concur with management's representation.

12.2 Commitments

12.2.1 Aggregate amount of bank guarantees issued by banks outstanding as at balance sheet date amounted to Rs. 59.936 million (2014: Rs. 56.337 million).

12.2.2 Letter of credit for import of plant and machinery, raw material and spares outstanding as at balance sheet date amounted to Rs. 79.738 million (2014: Rs. 22.409 million), Rs. 32.801 million (2014: Rs. 40.604 million) and Rs. 6.952 million (2014: Rs. 0.450 million) respectively.

13 Property, plant and equipment

	2015											
	Cost						Accumulated Depreciation					Net book value as at 30 June 2015
	As at 01 July 2014	Additions during the year	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	
	Rupees					%	Rupees					
Owned												
Land freehold	1,609,826	-	-	-	1,609,826	-	-	-	-	-	-	1,609,826
Buildings on freehold land	212,697,001	-	-	-	212,697,001	5	91,888,801	6,040,410	-	-	97,929,211	114,767,790
Plant and machinery	1,276,878,419	22,886,728	-	-	1,299,765,147	10	728,696,581	56,175,674	-	-	784,872,255	514,892,892
Electric installation	94,508,033	1,009,370	-	-	95,517,403	10	61,693,434	3,363,147	-	-	65,056,581	30,460,822
Tools and equipment	6,746,240	-	-	-	6,746,240	10	5,868,553	88,337	-	-	5,956,890	789,350
Furniture and fittings	4,711,986	522,161	-	-	5,234,147	10	2,949,713	223,981	-	-	3,173,694	2,060,453
Office equipment	16,995,798	810,677	-	-	17,806,475	10	8,152,708	940,309	-	-	9,093,017	8,713,458
Vehicles	20,170,076	5,022,945	5,142,300	(3,075,963)	27,259,358	20	11,711,518	2,644,592	2,138,988	(1,819,994)	14,675,104	12,584,254
	1,634,317,379	30,251,881	5,142,300	(3,075,963)	1,666,635,597		910,961,308	69,476,450	2,138,988	(1,819,994)	980,756,752	685,878,845
Leased												
Vehicles	6,781,300	-	(5,142,300)	-	1,639,000	20	2,641,613	227,275	(2,138,988)	-	729,900	909,100
	6,781,300	-	(5,142,300)	-	1,639,000		2,641,613	227,275	(2,138,988)	-	729,900	909,100
2015	1,641,098,679	30,251,881	-	(3,075,963)	1,668,274,597		913,602,921	69,703,725	-	(1,819,994)	981,486,652	686,787,945

wmrm

	2014									
	Cost					Accumulated Depreciation				Net book value as at 30 June 2014
	As at 01 July 2013	Additions during the year	Disposals/ Transfers during the year	As at 30 June 2014	Rate	As at 01 July 2013	Charge for the year	Disposals/ Transfers during the year	As at 30 June 2014	
	Rupees				%	Rupees				
Owned										
Land freehold	1,609,826	-	-	1,609,826	-	-	-	-	-	1,609,826
Building on freehold land	209,840,619	2,856,382	-	212,697,001	5	85,629,735	6,259,066	-	91,888,801	120,808,200
Plant and machinery	1,119,796,940	161,306,289	(4,224,810)	1,276,878,419	10	677,060,335	51,926,547	(290,301)	728,696,581	548,181,838
Electric installation	95,427,336	1,357,400	(2,276,703)	94,508,033	10	59,590,269	3,601,584	(1,498,419)	61,693,434	32,814,599
Tools and equipment	6,746,240	-	-	6,746,240	10	5,764,721	103,832	-	5,868,553	877,687
Furniture and fittings	4,803,180	847,900	(939,094)	4,711,986	10	2,771,378	195,370	(17,035)	2,949,713	1,762,273
Office equipment	16,033,775	1,201,300	(239,277)	16,995,798	10	7,254,884	927,793	(29,969)	8,152,708	8,843,090
Vehicles	23,001,325	2,550,662	(5,381,911)	20,170,076	20	13,920,507	2,096,133	(4,305,122)	11,711,518	8,458,558
	1,477,259,241	170,119,933	(13,061,795)	1,634,317,379		851,991,829	65,110,325	(6,140,846)	910,961,308	723,356,071
	1,477,259,241	170,119,933	(13,061,795)	1,634,317,379		851,991,829	65,110,325	(6,140,846)	910,961,308	723,356,071
Leased										
Vehicles	6,781,300	-	-	6,781,300	20	1,606,691	1,034,922	-	2,641,613	4,139,687
	6,781,300	-	-	6,781,300		1,606,691	1,034,922	-	2,641,613	4,139,687
2014	1,484,040,541	170,119,933	(13,061,795)	1,641,098,679		853,598,520	66,145,247	(6,140,846)	913,602,921	727,495,758

13.1 Depreciation charge has been allocated as follows:

	2015	2014
	Rupees	Rupees
Cost of sales	**68,641,338**	65,177,901
Administrative expenses	**1,062,387**	967,346
	69,703,725	66,145,247

13.2 **Disposal of property, plant and equipment**

Particular of assets	Particulars of buyers	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal
		Rupees					
Motor Car Suzuki Alto LEF 08-7161	Zahid Iqbal	679,663	(512,381)	167,282	211,864	44,582	Negotiation
Motor Car Suzuki Alto LEF 12-6546	Liaqat Ali	640,000	(408,075)	231,925	254,236	22,311	Negotiation
Toyota Corolla GLI LEB 12-2602	N/A	1,756,300	(899,538)	856,762	1,525,000	668,238	Insurance claim received from Adam jee Insurance
2015		**3,075,963**	**(1,819,994)**	**1,255,969**	**1,991,100**	**735,131**	
2014		9,485,047	(2,564,098)	6,920,949	7,284,340	363,391	

14 **Intangibles**

	Note	2015 Rupees	2014 Rupees
Computer Software			
Cost	*14.1*	**8,964,909**	8,964,909
Less: Accumulated amortisation	*14.2*	**(2,963,968)**	(1,170,986)
		6,000,941	7,793,923
Amortization rate		**20%**	20%

14.1 **Cost**

	2015 Rupees	2014 Rupees
At beginning of the year	**8,964,909**	-
Additions during the year	-	8,964,909
At end of the year	**8,964,909**	8,964,909

14.2 **Accumulated amortisation**

	2015 Rupees	2014 Rupees
At beginning of the year	**1,170,986**	-
Amortisation for the year	**1,792,982**	1,170,986
At end of the year	**2,963,968**	1,170,986

14.3 The amortisation charge for the year has been allocated to administrative expenses as referred to in note 24.

15 Long term deposits

These mainly include security deposits with Water and Power Development Authority and Sui Northern Gas Pipelines Limited.

	Note	2015 Rupees	2014 Rupees
16 Long term investments			
Related parties - at cost			
Al Nasr Textiles Limited - unquoted			
33,119,000 (2014: 33,119,000) ordinary shares of Rs. 10 each			
Equity held 96.84% (2014: 96.84%)		**331,190,000**	331,190,000
17 Stores, spare parts and loose tools			
Stores		**23,732,545**	22,305,599
Spare parts and loose tools		**17,112,529**	13,139,547
		40,845,074	35,445,146
18 Stock in trade			
Raw material		**398,821,650**	444,023,285
Work in process		**28,162,080**	22,967,705
Finished goods		**72,094,675**	130,750,671
Stock in transit		**4,254,156**	-
		503,332,561	597,741,661

19 Short term investments

Short term investments consist of the following:

Investment in FBL Saving Growth Fund - Held to maturity

	Note	2015 Rupees	2014 Rupees
Fair value as at 1 July		-	5,697,537
Gain during the year	27	-	126,130
Units redeemed during the year		-	(5,823,667)
Fair value as at 30 June		-	-

Investment in listed companies - Investments at fair value through profit and loss

	Note	2015 Rupees	2014 Rupees
Fair value as at 1 July		**8,483,121**	12,941,561
Shares purchased during the year		**218,250**	-
Un realized gain on re-measurement at fair value	27	**1,885,199**	4,303,638
Shares sold during the year		**(273,600)**	(8,762,078)
Fair value as at 30 June	19.1	**10,312,970**	8,483,121
		10,312,970	8,483,121

19.1 Investments at fair value through profit and loss

	Shares		Fair Value	
	2015	2014	**2015**	2014
	Number	Number	**Rupees**	Rupees
Name of investee company				
Al Ghazi Limited	**2,295**	2,295	**1,124,826**	604,732
Byco Petroleum Pakistan	**-**	24,000	**-**	273,600
Nishat Chunian Limited	**4,500**	-	**267,300**	-
Faysal Bank Limited	**105,520**	91,757	**1,658,774**	1,481,876
Millat Tractors Limited	**104**	104	**71,326**	51,910
Packages Limited	**12,104**	12,104	**7,190,744**	6,071,803
	124,523	130,260	**10,312,970**	8,483,121

	Note	2015 Rupees	2014 Rupees
20 Advances, deposits and prepayments			
Advances to employees - *considered good*		**2,931,977**	3,451,838
Advances to suppliers - considered good			
- local		**5,051,215**	2,903,517
- foreign		**51,608,816**	-
Security deposits		**691,028**	1,361,808
Margin on bank guarantees		**22,912,490**	19,312,490
Advance against letters of credit		**472,436**	742,622
Prepayments		**1,088,508**	698,244
Sales tax receivable		**26,084,206**	25,410,405
		110,840,676	53,880,924
21 Cash and bank balances			
Cash in hand		**131,485**	123,207
Cash at bank:			
- Current accounts		**120,155,681**	7,043,177
- Saving accounts	*21.1*	**217,455**	179,721
		120,504,621	7,346,105

21.1 These carry mark-up ranging from 5% to 6% per annum (2014: 6% to 7% per annum).

		Note	2015 Rupees	2014 Rupees
22	**Sales - net**			
	Local			
	Cotton polyester yarn		2,206,204,156	1,207,893,262
	Cotton yarn		1,194,216,182	698,965,630
	Garments		-	66,116,533
	Raw material		19,720,642	4,916,463
			3,420,140,980	1,977,891,888
	Waste sales		68,406,405	75,332,444
	Export			
	Cotton and polyester yarn	*22.1*	98,054,137	1,996,260,931
	Garments		-	55,173,303
			98,054,137	2,051,434,234
			3,586,601,522	4,104,658,566
	Less: Sales tax		(68,040,032)	(73,803,455)
	Commission		(31,608,889)	(33,655,176)
			3,486,952,601	3,997,199,935

22.1 These include indirect exports, taxable under Section 154 (3) of the Income Tax Ordinance, 2001, amounting to Rs. Nil (2014 : Rs. 1,620.13 million).

		Note	2015 Rupees	2014 Rupees
23	**Cost of sales**			
	Raw material consumed - Yarn		2,243,854,720	2,619,274,542
	Raw material consumed - Fabric		-	12,625,921
	Salaries, wages and other benefits		267,309,668	225,688,708
	Power and fuel		423,338,912	404,575,612
	Stores and spares consumed		60,291,700	49,062,356
	Packing material consumed		65,261,805	65,091,228
	Repair and maintenance		33,046,407	39,147,694
	Vehicles running and maintenance		2,912,784	3,694,538
	Insurance		8,657,888	8,325,636
	Staff retirement benefits		17,376,572	15,264,922
	Depreciation	*13.1*	68,641,338	65,177,901
	Other expenses		11,118,531	13,231,127
			3,201,810,325	3,521,160,185
	Work in process			
	Opening balance		22,967,705	43,085,482
	Closing balance		(28,162,080)	(22,967,705)
			(5,194,375)	20,117,777
	Cost of goods manufactured		3,196,615,950	3,541,277,962
	Finished goods			
	Opening balance		130,750,671	116,594,896
	Closing balance		(72,094,675)	(130,750,671)
			58,655,996	(14,155,775)
	Cost of sales - purchased products		19,550,022	4,844,449
			3,274,821,968	3,531,966,636

24 Administrative expenses

	Note	2015 Rupees	2014 Rupees
Salaries and other benefits		17,894,537	17,032,650
Traveling expenses		494,888	1,822,843
Telephone, postage and telegrams		1,788,189	1,718,067
Rent, rates and taxes		1,457,940	1,217,885
Power and fuel		1,882,025	2,051,524
Printing and stationery		337,809	354,703
Entertainment		379,655	714,239
Insurance		662,177	555,732
Repair and maintenance		2,633,773	2,325,862
Legal and professional charges		1,238,300	1,339,999
Auditors' remuneration	24.1	315,000	295,000
Vehicle running and maintenance		2,796,698	2,944,026
Charity and donations	24.2	3,895,000	4,785,833
Subscription fees		265,055	639,060
Staff retirement benefits		537,420	2,479,213
Shares expenses		17,293	51,659
Depreciation	13.1	1,062,387	967,346
Amortisation of intangibles	14.3	1,792,982	1,170,986
Other expenses		1,651,425	2,597,991
		41,102,553	45,064,618

24.1 Auditors' remuneration

	2015 Rupees	2014 Rupees
Audit fee	275,000	275,000
Out of pocket expenses	40,000	20,000
	315,000	295,000

24.2 These donations have been paid to the Chaudhary Nasur Ulla Family Trust, Shalimar Hospital, 4 Corps Thar Relief Fund, WWF Pakistan and Labard. None of the directors or their spouses have any interest in the donee funds to which these donations were made.

25 Distribution cost

	2015 Rupees	2014 Rupees
Freight and other expenses - export		
Ocean freight	798,605	3,185,359
Others	5,476,491	32,002,788
	6,275,096	35,188,147
Freight and other expenses - local	36,089,345	38,752,576
Salaries and other benefits	3,819,269	1,930,792
Loading and other expenses	6,298,227	5,044,334
	52,481,937	80,915,849

	Note	2015 Rupees	2014 Rupees

26 Finance cost

	Note	2015 Rupees	2014 Rupees
Interest and mark-up on:			
- Long term financing - secured		18,633,303	15,636,531
- Short term borrowings - secured		49,769,777	82,629,194
- Liabilities against assets subject to finance lease		102,740	377,317
Interest on Workers' Profit Participation Fund	*10.2*	1,206,600	2,056,081
Bank charges		434,239	1,798,037
		70,146,659	102,497,160

27 Other income

	Note	2015 Rupees	2014 Rupees
From financial assets			
Realized gain on sale of short term investments		-	912,544
Gain on saving growth fund		-	126,130
Un realized gain on re-measurement of investments at fair value through profit and loss account		1,885,199	4,303,638
Profit on saving accounts		45,485	175,442
Foreign exchange gain		-	17,707,041
Dividend income		188,991	163,787
From non-financial assets			
Income on sale of scrap		83,535	89,464
Gain on sale of property, plant and equipment		735,131	363,391
Insurance claim		87,500	-
		3,025,841	23,841,437

28 Other expenses

	Note	2015 Rupees	2014 Rupees
Workers' Profit Participation Fund	*10.2*	2,485,592	13,029,855
Workers' Welfare Fund		917,738	4,471,512
Loss on sale of short term investments		44,764	-
Foreign exchange loss		1,668,717	-
		5,116,811	17,501,367

unsent

29 Taxation

	2015 Rupees	2014 Rupees
Current		
- For the year	32,752,153	39,627,310
- Prior years	(8,290,757)	14,608,596
	24,461,396	54,235,906
Deferred tax (including prior year adjustment)	(4,929,974)	(3,927,482)
	19,531,422	50,308,424

29.1 Tax charge reconciliation

	2015	2014
Numerical reconciliation between tax expense and accounting profit		
Profit before taxation	46,308,514	243,095,742
Applicable tax rate as per Income Tax Ordinance, 2001	33%	34%
Tax on accounting profit	15,281,810	82,652,552
- income under Final Tax Regime	450,126	(31,646,934)
- prior year adjustment in deferred tax	(6,468,369)	-
- change in proportion of local and export sales	10,122,747	(6,340,737)
- tax rate adjustments	(8,610,751)	-
- prior year adjustments in current tax	(8,290,757)	14,608,596
- tax credits	(2,389,610)	(16,130,629)
- effect of minimum tax over tax under Normal Tax Regime	19,409,827	9,160,695
- others	26,399	(1,995,119)
	4,249,612	(32,344,128)
	19,531,422	50,308,424

30 Transactions with related parties

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

Related parties	Nature of transactions	*Note*	2015 Rupees	2014 Rupees
Unigohar Homes (Private) Limited - Associated undertaking	Rent		1,320,000	1,152,000
Al Nasr Textiles Limited - Subsidiary	Reimbursements		2,628,917	1,327,070
Directors	Dividend		33,058,978	59,506,160
Key management personnel	Remuneration	*32*	18,434,149	17,700,447

31 **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.

31.1 **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.

31.1.1 **Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2015	2014
	Rupees	Rupees
Long term deposits	**5,683,100**	5,616,900
Short term investments	**10,312,970**	8,483,121
Trade debts	**143,990,315**	264,294,634
Advances, deposits and other receivables	**24,675,179**	23,974,816
Bank balances	**120,373,136**	7,222,898
	305,034,700	309,592,369

31.1.2 **Concentration of credit risk**

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

	2015	2014
	Rupees	Rupees
Customers	**143,990,315**	264,294,634
Banking companies and financial institutions	**143,285,626**	26,535,388
Others	**17,758,759**	18,762,347
	305,034,700	309,592,369

31.1.3 **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.

31.1.3(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	2015 Rupees	2014 Rupees
Bank balances					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	12,198,659	395,433
Faysal Bank Limited	A1+	AA	PACRA	22,482,078	218,621
Bank Alfalah Limited	A1+	AA	PACRA	23,709	23,709
Habib Bank Limited	A-1+	AAA	JCR-VIS	27,273,119	4,844,092
Bank Alfalah Limited Islamic Banking	A1+	AA	PACRA	16,869,254	931,658
MCB Bank Limited	A1+	AAA	PACRA	1,897,114	197,299
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	8,763,185	85,350
Bank Al Habib Limited	A1+	AA+	PACRA	8,934,035	470,518
NIB Bank	A1+	AA-	PACRA	26,117	26,117
Meezan Bank Limited	A-1+	AA	JCR-VIS	21,875,835	-
Bank Of Punjab	A1+	AA-	PACRA	30,031	30,101
				120,373,136	7,222,898
Margin on bank guarantees					
Faysal Bank Limited	A1+	AA	PACRA	22,912,490	19,312,490
				143,285,626	26,535,388

31.1.3(b) *Counterparties without external credit ratings*

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

	2015 Rupees	2014 Rupees
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	98,425,959	169,198,282
Past due 31-180 days	44,110,892	35,139,889
Past due 181-365 days	596,917	59,756,601
Past due 366 & above	856,547	199,862
	143,990,315	264,294,634

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

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

31.2 **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.

31.2.1 **Exposure to liquidity risk**

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

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

	2015				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
Non-derivative financial liabilities	(Rupees)				
Long term financing from banking companies	142,200,570	165,793,675	51,746,269	114,047,406	-
Liabilities against assets subject to finance lease	401,455	409,265	409,265	-	-
Trade and other payables	160,163,542	160,163,542	160,163,542	-	-
Mark-up accrued	9,476,817	9,476,817	9,476,817	-	-
Short term borrowings	361,680,053	361,680,053	361,680,053	-	-
	673,922,437	**697,523,352**	**583,475,946**	**114,047,406**	-

	2014				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
Non-derivative financial liabilities	(Rupees)				
Long term financing from banking companies	177,380,326	236,869,334	63,103,610	173,765,724	-
Liabilities against assets subject to finance lease	2,609,535	2,744,314	2,336,018	408,296	-
Trade and other payables	170,633,437	170,633,437	170,633,437	-	-
Mark-up accrued	18,772,196	18,772,196	18,772,196	-	-
Short term borrowings	253,772,060	253,772,060	253,772,060	-	-
	623,167,554	682,791,341	508,617,321	174,174,020	-

31.3 **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.

31.3.1 **Currency risk**

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which advances, sales and purchases and bank balances are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currency in which these transactions are primarily denominated is US dollars.

31.3.1(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

	2015 Rupees	2014 Rupees
Short term borrowings	**83,524,835**	-
Net exposure	**83,524,835**	-

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

The following significant exchange rate has been applied

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

31.3.1(c) *Sensitivity analysis*

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

	2015 Rupees	2014 Rupees
Effect on profit or loss		
US Dollars	8,352,484	-

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 profit / (loss) for the year and assets / liabilities of the Company.

31.3.2 **Interest rate risk**

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

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

	Effective rate		Carrying amount	
	2015 %	2014 %	2015 Rupees	2014 Rupees
Financial liabilities				
Variable rate instruments				
Long term financing - secured	9.24 - 12.71	10.67 - 13.15	142,200,570	177,380,326
Short term borrowings - secured	7.68 - 12.21	10.33 - 11.88	361,680,053	253,772,060

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 (decreased) / increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit and loss 100 bps	
	Increase Rupees	Decrease Rupees
As at 30 June 2015		
Cash flow sensitivity-Variable rate financial liabilities	(5,038,806)	5,038,806
As at 30 June 2014		
Cash flow sensitivity-Variable rate financial liabilities	(4,311,524)	4,311,524

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

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company's significant borrowings are based on variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

31.3.3 **Price risk**

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments trading in market.

31.3.3(a) Investments exposed to price risk

At the balance sheet date, the Company's investment in quoted equity securities is as follows:

	2015	2014
	(Rupees)	
Investment in equity securities	**10,312,970**	8,483,121

31.3.3(b) Sensitivity analysis

A 10% increase / (decrease) share prices at year end would have increased / (decreased) the Company's fair value gain on investment as follows:

	Equity	
	2015	2014
	(Rupees)	
Short term investment at fair value through profit and loss account		
Effect of increase	**1,031,297**	848,312
Effect of decrease	**(1,031,297)**	(848,312)

31.3.3(c) Price risk management

The Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies. The carrying value of investments subject to equity price risk are based on quoted market prices as at reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from reported market value. Fluctuations in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

31.4 Fair values

31.4.1 Fair value versus carrying amounts

The carrying values of all financial assets and liabilities reflected in the unconsolidated financial statements approximate their fair values.

31.4.2 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
30 June 2015	---(Rupees)---		
Short term investment at fair value through profit and loss account			
Investment in equity securities	**10,312,970**	-	-
30 June 2014			
Short term investment at fair value through profit and loss account			
Investment in equity securities	8,483,121	-	-

31.4.3 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following method

Financial assets at fair value through profit or loss - Level 1

The value of investment at fair value through profit and loss account is determined by reference to quoted closing share prices at balance sheet date.

MMKYA

31.5 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.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

32 Remuneration of key management personnel

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

	Chief Executive	
	2015	2014
	Rupees	
Managerial remuneration	1,680,000	1,680,000
Retirement benefits	110,000	110,000
Leave encashment	300,000	150,000
Utilities	120,000	120,000
Medical expenses	395,332	266,851
	2,605,332	2,326,851
Number of persons	1	1

	Executive Director		Executives	
	2015	2014	2015	2014
	Rupees			
Managerial remuneration	2,576,000	2,240,000	10,337,600	10,337,600
Retirement benefits	168,667	146,667	676,867	676,867
Leave encashment	153,334	110,000	330,166	330,166
Utilities	184,000	160,000	738,400	738,400
Medical expenses	211,689	181,802	452,094	452,094
	3,293,690	2,838,469	12,535,127	12,535,127
Number of persons	1	1	12	13

The Chief Executive, one working director and certain executives are provided with free use of Company's maintained cars and mobile phones.

32.1 The Company has employed following number of persons:

	2015	2014
	(Number of persons)	
- Total number of employees as at 30 June	1,364	1,333
- Average number of employees during the year	1,357	1,332

33 Plant capacity and actual production

	Unit	2015	2014
Spinning			
Number of spindles installed	*No.*	**42,240**	42,240
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**15,472,686**	15,472,686
Actual production converted into 20s count	*Kgs*	**17,046,180**	16,945,594

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

34 Date of authorization for issue

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

Lahore 09 OCT 2015

Chief Executive

Director