Pak Kuwait Textiles Limited

Unconsolidated Financial statements for the year ended
30 June 2016

KPMG Taseer Hadi & Co.
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Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of **Pak Kuwait Textiles Limited ("the Company")** as at 30 June 2016 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 except for the change as stated in note 3.1 with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the 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 2016 and of the loss, 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 8 October 2016

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, 2016.

FINANCIAL HIGHLIGHTS

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

	30.06.2016 (Rs.)	**30.06.2015** (Rs.)
Sales (Net)	3,039,204,581	3,518,561,490
Gross Profit	135,691,366	243,739,522
Profit / (Loss) before Taxation	(12,946,283)	46,308,514
Taxation	(39,382,531)	(19,531,422)
Profit / (Loss) after Taxation	(52,328,814)	26,777,092
Total Comprehensive Income / (Loss) for the year	(52,358,406)	24,965,631
Un-appropriated Profit brought forward	872,259,990	941,044,359
Dividend	-	93,750,000
Un-appropriated Profit carried forward	**819,901,584**	**872,259,990**
Earnings / (Loss) per Share	**(1.40)**	**0.71**

COMPANY PERFORMANCE

During the year, your company posted a pre-tax Loss of Rs. 12,946,283 as against a pre-tax Profit of Rs. 46,308,514 in the last financial year representing 128 % year on year decrease. The Gross Profit Margin decreased by 44 % as compared to F/Y 2015. The major factor for this decrease was an international slump in commodity prices due to a global decrease in the demand for yarn. The increased productivity and availability of subsidized imported yarn on competitive rates from India and the decreased demand abroad for local yarn further decreased the yarn prices locally. Major components of conversion cost kept on increasing throughout the year owing to general inflationary trends. Partial increase in conversion cost was offset in the last quarter of F/Y 2016 due to the availability of Gas for electricity production. Your company posted a loss after tax of Rs. 52,328,814 as compared to last year's profit after tax of Rs. 26,777,092 (F/Y 2015).

Head office: 29 Shadman-II, Lahore, Pakistan. **Phone:** +92 42-111-888-600 **Fax:** +92 42 35407032
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 & Machinery was made during the year ended 30th June, 2016. These additions will ensure the production of high quality yarn in the future. The details are as follows:

- 2 x Carding Machines (Crosrol)
- 2 x Drawing Machines (Rieter)
- 3 x Auto Cone Machines (Toyota Tsusho)

FUTURE PROSPECTS

Currently Cotton prices are extremely volatile, efforts are being made to procure cotton at reasonable rates in order to maintain profitability to a reasonable level during the current year. Due to continuous increase in minimum wage announced by the Government the production cost of the company will increase in the next year. Availability of Gas for electricity generation will be important to balance the increase in the cost of production. The yarn rates have been depressed, which would adversely impact the financial results of the year 2016 / 2017.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on 30 June 2016, as required under Section 236(2) (d) of the Companies Ordinance 1984, is annexed.

AUDITORS

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

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ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors

(TARIQ MEHMOOD)
Chief Executive

Lahore
8th October 2016

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Pak Kuwait Textiles Limited
Unconsolidated Balance Sheet
As at 30 June 2016

	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
Share capital and reserve			
Authorized share capital			
40,000,000 (2015: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid-up capital	4	375,000,000	375,000,000
Accumulated profit		819,901,584	872,259,990
		1,194,901,584	1,247,259,990
Non-current liabilities			
Long term financing - *secured*	5	115,059,832	101,571,035
Liabilities against assets subject to finance lease	6	-	-
Deferred liabilities	7	110,351,468	91,646,658
		225,411,300	193,217,693
Current liabilities			
Current portion of long term liabilities	8	52,795,319	41,030,990
Short term borrowings - *secured*	9	394,147,448	361,680,053
Trade and other payables	10	151,129,469	177,820,694
Mark-up accrued	11	9,810,760	9,476,817
		607,882,996	590,008,554
		2,028,195,880	2,030,486,237
Contingencies and commitments	12		

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	13	696,151,492	686,787,945
Intangibles	14	4,207,959	6,000,941
Long term deposits	15	5,792,530	5,683,100
Long term investment	16	331,190,000	331,190,000
		1,037,341,981	1,029,661,986
Current assets			
Stores, spare parts and loose tools	17	26,120,098	30,204,878
Stock in trade	18	619,471,835	513,972,757
Short term investments	19	10,348,560	10,312,970
Trade debts - considered good	20	113,947,837	143,990,315
Advances, deposits and prepayments	21	83,465,477	110,840,676
Other receivables		475,034	9,945,824
Advance tax - net		54,080,648	61,052,210
Cash and bank balances	22	82,944,410	120,504,621
		990,853,899	1,000,824,251
		2,028,195,880	2,030,486,237

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

Lahore

Chief Executive

Director

Pak Kuwait Textiles Limited

Unconsolidated Profit and Loss Account

For the year ended 30 June 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	23	3,039,204,581	3,518,561,490
Cost of sales	24	(2,903,513,215)	(3,274,821,968)
Gross profit		135,691,366	243,739,522
Administrative expenses	25	(37,467,051)	(41,102,553)
Distribution cost	26	(54,337,672)	(75,090,826)
		(91,804,723)	(116,193,379)
Operating profit		43,886,643	127,546,143
Finance cost	27	(56,617,888)	(79,146,659)
		(12,731,245)	48,399,484
Other income	28	1,091,708	3,025,841
Other expenses	29	(1,306,746)	(5,116,811)
(Loss) / profit before taxation		(12,946,283)	46,308,514
Taxation	30	(39,382,531)	(19,531,422)
(Loss) / profit after taxation		(52,328,814)	26,777,092

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

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

Pak Kuwait Textiles Limited
Unconsolidated Cash Flow Statement
For the year ended 30 June 2016

	Note	2016 Rupees	2015 Rupees
Cash flows from operating activities			
(Loss) / profit after taxation		(12,946,283)	46,308,514
Adjustments for:			
Depreciation	13	71,534,610	69,703,725
Amortisation	14	1,792,982	1,792,982
Finance cost		56,468,752	77,940,059
Loss / (gain) on disposal of property, plant and equipment		1,099,291	(735,131)
Un realized gain on re-measurement of investments at fair value		(35,590)	(1,885,199)
Provision for doubtful debts		904,169	-
Provision for Worker's Profit Participation Fund		149,136	3,692,192
Provision for Worker's Welfare Fund		207,455	917,738
Staff retirement benefits		19,494,434	17,913,992
		151,615,239	169,340,358
Cash generated from operations before working capital changes		138,668,956	215,648,872
Effect on cash flow due to working capital changes			
Decrease/(increase) in current assets:			
Stores, spare parts and loose tools		4,084,780	5,240,268
Stock in trade		(105,499,078)	83,768,904
Trade debts		29,138,309	120,304,319
Advances, deposits and prepayments		27,375,199	(56,959,752)
Other receivables		9,470,790	(6,645,306)
		(35,430,000)	145,708,433
Decrease in current liabilities:			
Trade and other payables		(23,287,895)	(33,831,884)
		(58,717,895)	111,876,549
Cash generated from operations		79,951,061	327,525,421
Finance cost paid		(56,134,809)	(87,235,438)
Staff retirement benefits paid		(16,860,483)	(17,701,105)
Worker's Profit Participation Fund paid		(2,634,728)	(14,236,455)
Worker's Welfare Fund paid		(1,125,193)	(4,471,512)
Taxes paid		(16,369,702)	(39,220,921)
Long term deposits		(109,430)	(66,200)
		(93,234,345)	(162,931,631)
Net cash (used in) / generated from operating activities		(13,283,284)	164,593,790
Cash flows from investing activities			
Capital expenditure incurred		(82,402,576)	(30,251,881)
Short term investments		-	55,350
Proceeds from disposal of property, plant and equipment		405,128	1,991,100
Net cash used in investing activities		(81,997,448)	(28,205,431)
Cash flows from financing activities			
Long term financing - net		25,654,581	(35,179,756)
Short term borrowings - net		(7,536,152)	127,137,205
Payment of finance lease liabilities		(401,455)	(2,208,080)
Dividend paid		-	(93,750,000)
Net cash generated from / (used in) financing activities		17,716,974	(4,000,631)
Net (decrease) / increase in cash and cash equivalents		(77,563,758)	132,387,728
Cash and cash equivalents at beginning of the year		120,504,621	(11,883,107)
Cash and cash equivalents at end of the year		42,940,863	120,504,621

Cash and cash equivalents comprise of the following:

	Note	2016 Rupees	2015 Rupees
Cash and bank balances	22	82,944,410	120,504,621
Running finance	9	(40,003,547)	-
		42,940,863	120,504,621

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

Lahore | Chief Executive | Director

Pak Kuwait Textiles Limited
Unconsolidated Statement of Comprehensive Income
For the year ended 30 June 2016

	2016 Rupees	2015 Rupees
(Loss) / profit after taxation	**(52,328,814)**	26,777,092
Other comprehensive income		
Items that will never be reclassified to profit and loss account		
Remeasurement of defined benefit obligation	(38,937)	(2,193,052)
Related deferred tax	9,345	381,591
	(29,592)	(1,811,461)
Total comprehensive (loss) / income for the year	**(52,358,406)**	24,965,631

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

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

Pak Kuwait Textiles Limited

Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital	Accumulated profit	Total
	------Rupees------		
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**
Total comprehensive income for the year			
Loss for the year ended 30 June 2016	-	(52,328,814)	(52,328,814)
Other comprehensive loss for the year ended 30 June 2016	-	(29,592)	(29,592)
	-	(52,358,406)	(52,358,406)
Balance as at 30 June 2016	**375,000,000**	**819,901,584**	**1,194,901,584**

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

Lahore **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 in September, 1981. The registered address of the Company is situated at 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	2016	2015
	(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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case, the requirements differ, the provisions of 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 2016:

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

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

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

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

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

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

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

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on the Company's 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 on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

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

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

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

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 and recognition of employee retirement benefits at present value. 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 significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below. Except for a change as mentioned in note 3.1, the policies have been consistently applied to all the years presented, unless otherwise stated.

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

3.2 Share capital

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

3.3 Liabilities against assets subject to finance lease

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

3.4 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.

3.5 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Provision is made annually on the basis of actuarial recommendation to cover obligation under the scheme. Actuarial valuation of the scheme is undertaken at appropriate regular intervals and the latest valuation was carried out at 30 June 2016, using the "Projected Unit Credit Method".

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

3.6 Trade and other payables

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

3.7 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.

3.8 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.

3.9 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.

3.10 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.

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

3.12 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.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances. Running finances that are repayable on demand are included as component of cash and cash equivalents for the purpose of cash flow statement.

3.14 Financial instruments

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

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

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

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

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

3.21 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.

	2016 Rupees	2015 Rupees
4 Issued, subscribed and paid-up capital		
2,500,000 (2015: 2,500,000) ordinary shares of Rs. 10 each fully paid in cash	**25,000,000**	25,000,000
35,000,000 (2015: 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 (2015: 13,223,591) ordinary shares of Rs. 10 each of the Company.

5 Long term financing - secured

	Banking Companies	Note	2016 Rupees	2015 Rupees	Mark-up Rate per annum (%)	Number of remaining installments	Salient features
	Bank Al-Habib Limited						
(a)	Term Finance-I (50 - M)		**31,250,000**	43,750,000	6 M KIBOR + 1.5%	The loan is repayable in 16 equal quarterly installments, including one year grace period, ending on 31 October 2018. Remaining 10 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, along with facility (b) and (c), is secured by way of joint pari passu charge of Rs. 164.2 million registered with SECP over fixed assets of the Company.
(b)	Term Finance-II (36.99 - M)		**9,247,246**	18,494,498	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 4 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.
(c)	Term Finance-III (6.2 - M)		**4,650,000**	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 18 June 2019. Remaining 12 installments are to be paid till maturity of agreement.	Company obtained this loan in June 2014 for import of MK-7 Card machinery. Loan has sanctioned limit of Rs. 6.5 Million.

	Banking Companies	Note	2016 Rupees	2015 Rupees	Mark-up Rate per annum (%)	Number of remaining installments	Salient features
	Bank Al-Falah Limited						
(d)	Diminishing Musharaka- (67.527 - M)		**67,527,816**	-	3 M KIBOR + 0.90% (Floor: 6% Cap: 15%)	The loan is repayable in 20 equal quarterly installments including grace period of one year ending on 14 July 2021. Remaining 20 installments are to be paid till maturity of agreement.	Company has obtained this loan for the import of 2 Sets of Drawframes, 3 Sets of Automatic Cone Winder and 2 Sets of Crosol MK-7D Production Single Cotton Card. Loan had sanctioned limit of Rs. 82 Million. Loan is secured by way of first exclusive charge of Rs 82 million on specific assets duly registered with SECP.
	Faysal Bank Limited						
(e)	Term Finance-I (6.89 - M)		**3,445,561**	4,976,921	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 9 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. This loan along with loan (f), (g) and (h) is secured by way of first pari passu charge over all present and future fixed assets of the Company amounting to Rs. 106 million.
(f)	Term Finance-II (9.64 - M)		**5,353,328**	7,494,664	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 10 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.
(g)	Diminishing Musharaka-III (12.69 - M)		**10,306,828**	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. Remaining 13 installments are to be paid till maturity of agreement.	Company has obtained this loan for Balancing Modernization and Replacement (BMR). Sanctioned limit for this loan along with loan (h) is Rs. 28.78 Million.

	Banking Companies	Note	2016 Rupees	2015 Rupees	Mark-up Rate per annum (%)	Number of remaining installments	Salient features
(h)	Diminishing Musharaka-IV (26.09 - M)		**19,574,372**	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. Remaining 12 installments are to be paid till maturity of agreement.	Company has obtained this loan for Balancing Modernization and Replacement (BMR).
	MCB Bank Limited						
(i)	Term Finance (24 - M)		**16,500,000**	22,500,000	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 11 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 first joint pari passu charge over all present and future fixed assets of the Company amounting to Rs. 41.33 million.
			167,855,151	142,200,570			
	Less: Current maturity of long term financing	8	**(52,795,319)**	(40,629,535)			
			115,059,832	101,571,035			

	Note	2016 Rupees	2015 Rupees
6 Liabilities against assets subject to finance lease			
Present value of minimum lease payments	*6.1*	-	401,455
Less: Current portion shown under current liabilities	*8*	-	(401,455)
		-	-

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:

	2016		2015	
	Not later than one year	**Later than one year but not later than five years**	Not later than one year	Later than one year but not later than five years
	---------- Rupees ----------			
Minimum lease payments	-	-	409,265	-
Future finance cost	-	-	7,810	-
Present value of lease liability	-	-	401,455	-

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

	Note	2016 Rupees	2015 Rupees
7 Deferred liabilities			
Staff retirement benefits	*7.1*	**39,355,856**	36,682,968
Deferred taxation	*7.2*	**70,995,612**	54,963,690
		110,351,468	91,646,658

7.1 **Staff retirement benefits**

The latest actuarial valuation of the Company's defined benefit plan, was conducted at 30 June 2016 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

	Note	2016 Rupees	2015 Rupees
7.1.1 **The amounts recognized in the balance sheet are as follows:**			
Present value of defined benefit obligation	*7.1.4*	**39,355,856**	36,682,968
Unrecognized actuarial (loss)/gain		-	-
Liability at end of the year		**39,355,856**	36,682,968

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

	Note	2016 Rupees	2015 Rupees
Current service cost		**16,739,793**	14,544,984
Interest cost		**2,754,641**	3,369,008
Charge to profit and loss		**19,494,434**	17,913,992

7.1.3 Included in other comprehensive income:

Experience adjustment on obligation		**38,937**	2,193,052
Charge to other comprehensive income		**38,937**	2,193,052

7.1.4 Movement in the liability recognized in the unconsolidated balance sheet is as follows:

Liability at beginning of the year		**36,682,968**	34,277,029
Charge to profit and loss	*7.1.2*	**19,494,434**	17,913,992
Charge to other comprehensive income	*7.1.3*	**38,937**	2,193,052
Benefits paid during the year		**(16,860,483)**	(17,701,105)
Liability at end of the year		**39,355,856**	36,682,968

Movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation at beginning of the year		**36,682,968**	34,277,029
Current service cost		**16,739,793**	14,544,984
Interest cost		**2,754,641**	3,369,008
Benefits paid		**(16,860,483)**	(17,701,105)
Remeasurement loss on obligation		**38,937**	2,193,052
Present value of defined benefit obligation at end of the year		**39,355,856**	36,682,968

7.1.5 **Actuarial assumptions**

Valuation discount rate	**9.75%**	13.25%
Expected rate of increase in salaries	**6.25%**	8.75%
Average expected remaining working lifetime of employees	**7 years**	6 years

7.1.6 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%	(2,401,476)	2,779,996
Salary growth rate	1%	2,905,049	(2,560,083)

7.1.7 The average duration of the defined benefit obligation is 7 years. The Company expects to charge Rs. 19.94 million to unconsolidated profit and loss account on account of defined benefit plan in 2017.

7.1.8 The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

	2016 Rupees	2015 Rupees
7.2 **Deferred tax liability**		
Taxable temporary difference		
Accelerated tax depreciation	**85,944,609**	61,346,526
Others		-
Deductible temporary differences		
Staff retirement benefits	**(9,445,406)**	(6,382,836)
Provision for doubtful debts	**(226,346)**	-
Unused tax losses	**(5,277,245)**	-
	70,995,612	54,963,690

8	Current portion of long term liabilities	Note	2016 Rupees	2015 Rupees
	Long term financing - secured	5	52,795,319	40,629,535
	Liabilities against assets subject to finance lease	6	-	401,455
			52,795,319	41,030,990

9	Short term borrowings - secured			
	From banking companies:			
	Short term cash finance		345,179,106	361,680,053
	Short term running finance		40,003,547	-
		9.1	385,182,653	361,680,053
	Payable against inland bills discounted		8,964,795	-
			394,147,448	361,680,053

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. Nil (2015: Rs. 83.52 million). These are secured by way of joint pari passu charge on current assets of the Company amounting to Rs. 1,155 million (2015: 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 2017.

Mark-up on local currency facilities is charged at the rates ranging from 6.60% to 8.60% (2015: 7.68% to 12.21%) per annum payable quarterly, whereas mark up on foreign currency facilities is charged at the rates ranging from 2.31% to 3.43% (2015: 3.27% to 3.39%) per annum.

The aggregate available short term funded facilities amount to Rs. 2,465 million (2015: Rs. 3,105 million).

10	Trade and other payables	Note	2016 Rupees	2015 Rupees
	Creditors		16,685,877	20,946,849
	Accrued liabilities	10.2	75,640,672	97,946,399
	Refundable security	10.1	21,245,537	21,048,232
	Advances from customers		22,198,613	13,934,155
	Withholding tax payable		975,520	73,119
	Withholding sales tax payable		1,020,714	246,548
	Payables to Workers' Profit Participation Fund	10.3	-	2,485,592
	Payables to Workers' Welfare Fund		-	917,738
	Payable to commission agents		8,236,696	17,206,085
	Payable to clearing agents		199,575	730,525
	Other payables		4,926,265	2,285,452
			151,129,469	177,820,694

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

10.2 This includes Rs. 23.647 million booked on account of Gas Infrastructure Development Cess (GIDC) for the period from August 2014 to March 2016. The Company, along with various other companies has challenged the legality and validity of levy and demand of GIDC in Honorable Lahore High Court which is pending adjudication. However, on a prudent basis, the Company has recorded the GIDC amount for the mentioned period. Further, due to non payment, default surcharge of Rs. 4.365 million for the period from June 2015 to June 2016 has been imposed on the Company, which has not been recorded in these unconsolidated financial statement based on the opinion of legal advisor. The management is hopeful that the Company will not be required to pay the default surcharge.

			2016	2015
10.3	**Workers' Profit Participation Fund**	*Note*	**Rupees**	Rupees
	Balance as at 01 July		**2,485,592**	13,029,855
	Interest for the year	27	**149,136**	1,206,600
	Provision for the year	29	**-**	2,485,592
			2,634,728	16,722,047
	Payments made during the year		**(2,634,728)**	(14,236,455)
	Balance as at 30 June		**-**	2,485,592

11 Mark-up accrued

	2016	2015
Long term financing - secured	**3,045,569**	3,797,504
Short term borrowings - secured	**6,765,191**	5,679,313
	9,810,760	9,476,817

12 Contingencies and commitments

12.1 Contingencies

12.1.1 The Company filed an appeal before the Honorable Supreme Court of Pakistan against the judgment of the Division Bench of the Honorable High Court of Sindh at Karachi. The Division Bench, by judgment dated 15 September 2008, had partly accepted the appeal by declaring that the levy and collection of infrastructure cess / fee prior to 28 December 2006 was illegal and ultra vires and after 28 December 2006, it was legal and the same was collected by the Excise Department in accordance with the law. The appeal was filed against the declaration that after 28 December 2006, the Excise Department had collected the infrastructure cess / fee in accordance with law. The Province of Sindh and Excise and Taxation Department had also preferred an appeal against the judgment decided against them. The Honorable Supreme Court consolidated both the appeals and were set aside. Thereafter, law has been challenged in constitution petition in the Honorable Sindh High Court Karachi. Stay has been granted by the Honorable High Court on 31 May 2011 on payment of 50% of the cess to the Excise Department and on furnishing of bank guarantee amounting to Rs. 22.26 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 is pending adjudication. Management believes that a favorable decision shall be passed by the Tribunal.

12.1.3 In October 2014, liability for tax year 2012 was revised to Rs. 61.37 million as against Rs. 39.29 million conceded in the return as a consequence of rectification u/s 221 of the Income Tax Ordinance, 2001. The Company filed an appeal before Commissioner Inland Revenue (CIR). The CIR passed an order in May 2016, of which appeal effect was given in September 2016 thereby revising the tax liability to Rs. 58.91 million. In June 2016, the Company filed second appeal before Appellate Tribunal Inland Revenue which is pending adjudication. Management believes that a favorable decision shall be passed by the Tribunal.

12.2 Commitments

12.2.1 Aggregate amount of bank guarantees issued by banks outstanding as at balance sheet date amounted to Rs. 61.437 million (2015: Rs. 59.936 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. Nil (2015: Rs. 79.738 million), Rs. Nil (2015: Rs. 32.801 million) and Rs. 1.331 million (2015: Rs. 6.952 million) respectively.

13 Property, plant and equipment

	2016											
	Cost						Accumulated Depreciation					Net book value as at 30 June 2016
	As at 01 July 2015	Additions during the year	Transfers during the year	Disposals during the year	As at 30 June 2016	Rate	As at 01 July 2015	Charge for the year	Transfers during the year	Disposals during the year	As at 30 June 2016	
	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	97,929,211	5,738,389	-	-	103,667,600	109,029,401
Plant and machinery	1,299,765,147	81,809,709	-	(7,087,957)	1,374,486,899	10	784,872,255	58,871,335	-	(5,583,538)	838,160,052	536,326,847
Electric installation	95,517,403	370,817	-	-	95,888,220	10	65,056,581	3,056,403	-	-	68,112,984	27,775,236
Tools and equipment	6,746,240	-	-	-	6,746,240	10	5,956,890	79,504	-	-	6,036,394	709,846
Furniture and fittings	5,234,147	12,900	-	-	5,247,047	10	3,173,694	207,153	-	-	3,380,847	1,866,200
Office equipment	17,806,475	209,150	-	-	18,015,625	10	9,093,017	883,215	-	-	9,976,232	8,039,393
Vehicles	27,259,358	-	1,639,000	-	28,898,358	20	14,675,104	2,638,004	790,507	-	18,103,615	10,794,743
	1,666,635,597	82,402,576	1,639,000	(7,087,957)	1,743,589,216		980,756,752	71,474,003	790,507	(5,583,538)	1,047,437,724	696,151,492
Leased												
Vehicles	1,639,000	-	(1,639,000)	-	-	20	729,900	60,607	(790,507)	-	-	-
	1,639,000	-	(1,639,000)	-	-		729,900	60,607	(790,507)	-	-	-
2016	1,668,274,597	82,402,576	-	(7,087,957)	1,743,589,216		981,486,652	71,534,610	-	(5,583,538)	1,047,437,724	696,151,492

	2015											
	Cost						Accumulated Depreciation					Net book
	As at 01 July 2014	Additions during the year	Transfers during the year	Disposals/ Transfers 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	value as at 30 June 2015
	Rupees					%	Rupees					
Owned												
Land freehold	1,609,826	-	-	-	1,609,826	-	-	-	-	-	-	1,609,826
Building 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
	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

13.1 Depreciation charge has been allocated as follows:

	Note	2016 Rupees	2015 Rupees
Cost of sales	24	70,462,500	68,641,338
Administrative expenses	25	1,072,110	1,062,387
		71,534,610	69,703,725

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

Particular of assets	Particulars of buyers	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss)	Mode of disposal
		Rupees					
Carding Machine A-186 G	Taymur Spinning Mills Ltd	922,725	838,191	84,534	50,000	(34,534)	Negotiation
Carding Machine A-186 G	Taymur Spinning Mills Ltd	922,725	838,191	84,534	50,000	(34,534)	Negotiation
Auto Coner Savio Machine	Aslam Traders Lahore	5,242,507	3,907,156	1,335,351	305,128	(1,030,223)	Negotiation
2016		**7,087,957**	**5,583,538**	**1,504,419**	**405,128**	**(1,099,291)**	
2015		3,075,963	(1,819,994)	1,255,969	1,991,100	735,131	

	Note	2016 Rupees	2015 Rupees
14 Intangibles			
Computer Software			
Cost	*14.1*	8,964,909	8,964,909
Less: Accumulated amortisation	*14.2*	(4,756,950)	(2,963,968)
		4,207,959	6,000,941
Amortization rate		20%	20%

14.1 **Cost**

	2016	2015
At beginning of the year	8,964,909	8,964,909
Additions during the year	-	-
At end of the year	8,964,909	8,964,909

14.2 **Accumulated amortisation**

	2016	2015
At beginning of the year	2,963,968	1,170,986
Amortisation for the year	1,792,982	1,792,982
At end of the year	4,756,950	2,963,968

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

15 Long term deposits

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

		Note	2016 Rupees	2015 Rupees
16	**Long term investments**			
	Related parties - at cost			
	Al Nasr Textiles Limited - unquoted 33,119,000 (2015: 33,119,000) ordinary shares of Rs. 10 each Equity held 96.84% (2015: 96.84%)		**331,190,000**	331,190,000
17	**Stores, spare parts and loose tools**			
	Stores		**16,852,244**	13,092,349
	Spare parts and loose tools		**9,267,854**	17,112,529
			26,120,098	30,204,878
18	**Stock in trade**			
	Raw material	18.1	**427,061,577**	398,821,650
	Packing material	18.2	**8,596,703**	10,640,196
	Work in process		**25,570,034**	28,162,080
	Finished goods		**158,243,521**	72,094,675
	Stock in transit		**-**	4,254,156
			619,471,835	513,972,757

18.1 Raw materials amounting to Rs. 396 million (2015: Rs. 267 million) are pledged with lenders as security against short term borrowings as mentioned in note 9.1.

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

		Note	2016 Rupees	2015 Rupees
19	**Short term investments**			
	Short term investments consist of the following:			
	Investment in listed companies - Investments at fair value through profit and loss			
	Fair value as at 1 July		**10,312,970**	8,483,121
	Shares purchased during the year		**-**	218,250
	Un realized gain on re-measurement at fair value	28	**35,590**	1,885,199
	Shares sold during the year		**-**	(273,600)
	Fair value as at 30 June	19.1	**10,348,560**	10,312,970
			10,348,560	10,312,970

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19.1 Investments at fair value through profit and loss

Name of investee company	Shares 2016 Number	Shares 2015 Number	Fair Value 2016 Rupees	Fair Value 2015 Rupees
Al Ghazi Limited	**2,295**	2,295	**968,559**	1,124,826
Nishat Chunian Limited	**4,500**	4,500	**236,520**	267,300
Faysal Bank Limited	**105,520**	105,520	**1,383,368**	1,658,774
Millat Tractors Limited	**104**	104	**59,306**	71,326
Packages Limited	**12,104**	12,104	**7,700,807**	7,190,744
	124,523	124,523	**10,348,560**	10,312,970

	Note	2016 Rupees	2015 Rupees
20 Trade debts - considered good			
Local debtors - *unsecured, considered good*		**113,947,837**	143,990,315
Considered doubtful		**904,169**	-
		114,852,006	143,990,315
Provision for doubtful debts		**(904,169)**	-
		113,947,837	143,990,315
21 Advances, deposits and prepayments			
Advances to employees - *considered good*		**3,656,974**	2,931,977
Advances to suppliers - *considered good*			
- local		**9,212,693**	5,051,215
- foreign		**3,750,747**	51,608,816
Security deposits		**515,829**	691,028
Margin on bank guarantees		**24,412,490**	22,912,490
Advance against letters of credit		**337,157**	472,436
Prepayments		**3,485,050**	1,088,508
Sales tax receivable		**38,094,537**	26,084,206
		83,465,477	110,840,676
22 Cash and bank balances			
Cash in hand		**66,608**	131,485
Cash at bank:			
- Current accounts		**82,651,375**	120,155,681
- Saving accounts	*22.1*	**226,427**	217,455
		82,944,410	120,504,621

22.1 These carry mark-up ranging from 3% to 4% (2015: 5% to 6%) per annum.

	Note	2016 Rupees	2015 Rupees
23 Sales - net			
Local			
Cotton polyester yarn		1,997,176,883	2,206,204,156
Cotton yarn		1,052,592,151	1,194,216,182
Raw material		-	19,720,642
		3,049,769,034	3,420,140,980
Waste sales		75,901,135	68,406,405
Export			
Cotton and polyester yarn		4,760,638	98,054,137
		3,130,430,807	3,586,601,522
Less: Sales tax		(91,226,226)	(68,040,032)
		3,039,204,581	3,518,561,490
24 Cost of sales			
Raw material consumed - Yarn		2,097,201,174	2,243,854,720
Salaries, wages and other benefits		287,031,141	267,309,668
Power and fuel		347,726,391	423,338,912
Stores and spares consumed		59,736,941	60,291,700
Packing material consumed		60,651,982	65,261,805
Repairs and maintenance		25,765,345	33,046,407
Vehicles running and maintenance		2,381,923	2,912,784
Insurance		8,555,056	8,657,888
Staff retirement benefits		18,985,268	17,376,572
Depreciation	*13.1*	70,462,500	68,641,338
Other expenses		8,572,294	11,118,531
		2,987,070,015	3,201,810,325
Work in process			
Opening balance		28,162,080	22,967,705
Closing balance		(25,570,034)	(28,162,080)
		2,592,046	(5,194,375)
Cost of goods manufactured		2,989,662,061	3,196,615,950
Finished goods			
Opening balance		72,094,675	130,750,671
Closing balance		(158,243,521)	(72,094,675)
		(86,148,846)	58,655,996
Cost of sales - purchased products		-	19,550,022
		2,903,513,215	3,274,821,968

	Note	2016 Rupees	2015 Rupees

25 Administrative expenses

	Note	2016 Rupees	2015 Rupees
Salaries and other benefits		17,667,411	17,894,537
Traveling expenses		698,127	494,888
Telephone, postage and telegrams		1,655,390	1,788,189
Rent, rates and taxes		1,660,140	1,457,940
Power and fuel		1,390,843	1,882,025
Printing and stationery		375,934	337,809
Entertainment		711,550	379,655
Insurance		825,552	662,177
Repairs and maintenance		1,563,970	2,633,773
Legal and professional charges		1,241,379	1,238,300
Auditors' remuneration	25.1	325,000	315,000
Vehicle running and maintenance		2,382,607	2,796,698
Charity and donations	25.2	75,000	3,895,000
Subscription fees		317,710	265,055
Staff retirement benefits		509,166	537,420
Shares expenses		-	17,293
Provision for doubtful debts	20	904,169	-
Depreciation	13.1	1,072,110	1,062,387
Amortisation of intangibles	14.3	1,792,982	1,792,982
Other expenses		2,298,011	1,651,425
		37,467,051	41,102,553

25.1 Auditors' remuneration

	2016 Rupees	2015 Rupees
Audit fee	275,000	275,000
Out of pocket expenses	50,000	40,000
	325,000	315,000

25.2 These donations have been paid to WWF Pakistan and Labard. None of the directors or their spouses have any interest in the donee funds to which these donations were made.

26 Distribution cost

	2016 Rupees	2015 Rupees
Freight and other expenses - export		
Ocean freight	145,383	798,605
Others	488,197	5,476,491
	633,580	6,275,096
Freight and other expenses - local	16,481,723	27,089,345
Commission yarn sales - local	26,047,389	31,608,889
Salaries and other benefits	5,007,031	3,819,269
Loading and other expenses	6,167,949	6,298,227
	54,337,672	75,090,826

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	Note	2016 Rupees	2015 Rupees
27 Finance cost			
Interest and mark-up on:			
- Long term financing - *secured*		15,068,926	18,633,303
- Short term borrowings - *secured*	*27.1*	40,702,810	57,825,512
- Liabilities against assets subject to finance lease		7,810	102,740
Commission on bank guarantees		298,167	944,265
Interest on Workers' Profit Participation Fund	*10.3*	149,136	1,206,600
Bank charges		391,039	434,239
		56,617,888	79,146,659

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

	Note	2016 Rupees	2015 Rupees
28 Other income			
From financial assets			
Un realized gain on re-measurement of investments at fair value through profit and loss account		35,590	1,885,199
Profit on saving accounts		11,691	45,485
Foreign exchange gain		29,283	-
Dividend income		571,470	188,991
From non-financial assets			
Income on sale of scrap		228,824	83,535
Gain on sale of property, plant and equipment		-	735,131
Insurance claim		214,850	87,500
		1,091,708	3,025,841
29 Other expenses			
Workers' Profit Participation Fund	*10.3*	-	2,485,592
Workers' Welfare Fund		207,455	917,738
Loss on sale of short term investments		-	44,764
Loss on sale of property, plant and equipment		1,099,291	-
Foreign exchange loss		-	1,668,717
		1,306,746	5,116,811

	2016 Rupees	2015 Rupees

30 Taxation

	2016 Rupees	2015 Rupees
Current		
- For the year	22,282,508	32,752,153
- Prior years	1,058,756	(8,290,757)
	23,341,264	24,461,396
Deferred tax (including prior year adjustment)	16,041,267	(4,929,974)
	39,382,531	19,531,422

30.1 Tax charge reconciliation

	2016 Rupees	2015 Rupees
Numerical reconciliation between tax expense and accounting profit		
(Loss) / profit before taxation	(12,946,283)	46,308,514
Applicable tax rate as per Income Tax Ordinance, 2001	32%	33%
Tax on accounting (loss) / profit	(4,142,811)	15,281,810
- income under Final Tax Regime	119,040	450,126
- prior year adjustment in deferred tax	-	(6,468,369)
- change in proportion of local and export sales	20,848,296	10,122,747
- tax rate adjustments	-	(8,610,751)
- prior year adjustments in current tax	1,058,756	(8,290,757)
- tax credits	(8,180,971)	(2,389,610)
- effect of minimum tax over tax under Normal Tax Regime	30,344,439	19,409,827
- others	(664,218)	26,399
	43,525,342	4,249,612
	39,382,531	19,531,422

31 Transactions with related parties

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

Related parties	Nature of transactions	*Note*	2016 Rupees	2015 Rupees
Unigohar Homes (Private) Limited - Associated undertaking	Rent		1,584,000	1,320,000
Al Nasr Textiles Limited - Subsidiary Company	Reimbursements		1,940,829	2,628,917
	Purchase of raw material		57,828,150	-
Directors	Dividend		-	33,058,978
Key management personnel	Remuneration	*33*	23,466,552	18,324,149

32 **Financial Instruments**

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

32.1 Credit risk and concentration of credit risk

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

32.1.1 Exposure to credit risk

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

	2016 Rupees	2015 Rupees
Long term deposits	5,792,530	5,683,100
Short term investments	10,348,560	10,312,970
Trade debts	113,947,837	143,990,315
Deposits and other receivables	25,216,705	24,675,179
Bank balances	82,877,802	120,373,136
	238,183,434	305,034,700

32.1.2 Concentration of credit risk

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

	2016 Rupees	2015 Rupees
Customers	113,947,837	143,990,315
Banking companies and financial institutions	107,290,292	143,285,626
Others	16,945,305	17,758,759
	238,183,434	305,034,700

32.1.3 Credit quality and impairment

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

32.1.3(a) Counterparties with external credit ratings

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

Banks	Rating Short term	Rating Long term	Rating Agency	2016 Rupees	2015 Rupees
Bank balances					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	1,947,170	12,198,659
Faysal Bank Limited	A1+	AA	PACRA	207,965	22,482,078
Bank Alfalah Limited	A1+	AA	PACRA	23,129	23,709
Habib Bank Limited	A-1+	AAA	JCR-VIS	19,822,637	27,273,119
Bank Alfalah Limited Islamic Banking	A1+	AA	PACRA	228,842	16,869,254
MCB Bank Limited	A1+	AAA	PACRA	954,570	1,897,114
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	4,963,643	8,763,185
Bank Al Habib Limited	A1+	AA+	PACRA	35,840,215	8,934,035
NIB Bank	A1+	AA-	PACRA	26,117	26,117
Meezan Bank Limited	A-1+	AA	JCR-VIS	18,801,190	21,875,835
Askari Bank Limited	A-1+	AA	JCR-VIS	32,328	-
Bank Of Punjab	A1+	AA-	PACRA	29,996	30,031
				82,877,802	120,373,136
Margin on bank guarantees					
Faysal Bank Limited	A1+	AA	PACRA	24,412,490	22,912,490
				107,290,292	143,285,626

32.1.3(b) Counterparties without external credit ratings

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

	2016 Rupees	2015 Rupees
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	81,449,529	98,425,959
Past due 31-180 days	27,059,323	44,110,892
Past due 181-365 days	5,152,509	596,917
Past due 366 & above	286,476	856,547
	113,947,837	143,990,315

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

32.2 Liquidity risk

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

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

32.2.1 **Exposure to liquidity risk**

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

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

	2016				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**Above 5 years**
Non-derivative financial liabilities	(Rupees)				
Long term financing from banking companies	167,855,151	194,543,691	64,959,110	129,584,581	-
Trade and other payables	122,008,357	122,008,357	122,008,357	-	-
Mark-up accrued	9,810,760	9,810,760	9,810,760	-	-
Short term borrowings	394,147,448	394,147,448	394,147,448	-	-
	693,821,716	720,510,256	590,925,675	129,584,581	-

	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	142,200,370	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	157,878,090	157,878,090	157,878,090	-	-
Mark-up accrued	9,476,817	9,476,817	9,476,817	-	-
Short term borrowings	361,680,053	361,680,053	361,680,053	-	-
	671,636,985	695,237,900	581,190,494	114,047,406	-

32.3 **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

32.3.1 **Currency risk**

The Company is exposed to currency risk 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.

32.3.1(a) Exposure to currency risk

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

	2016 Rupees	2015 Rupees
Foreign creditors	1,220,191	-
Short term borrowings	-	83,524,835
Net exposure	1,220,191	83,524,835

32.3.1(b) Exchange rates applied during the year

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2016 Rupees	2015 Rupees	**2016 Rupees**	2015 Rupees
USD to PKR	103.10	101.40	104.60	101.6

32.3.1(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.

	2016 Rupees	2015 Rupees
Effect on profit or loss		
US Dollars	122,019	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.

32.3.2 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	
	2016 %	2015 %	2016 Rupees	2015 Rupees
Financial liabilities				
Variable rate instruments				
Long term financing - secured	7.25 - 11.64	9.24 - 12.71	167,855,151	142,200,570
Short term borrowings - secured	6.60 - 8.60	7.68 - 12.21	394,147,448	361,680,053

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 2015.

	Profit and loss 100 bps	
	Increase Rupees	Decrease Rupees
As at 30 June 2016		
Cash flow sensitivity-Variable rate financial liabilities	(5,620,026)	5,620,026
As at 30 June 2015		
Cash flow sensitivity-Variable rate financial liabilities	(5,038,806)	5,038,806

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.

32.3.3 **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.

32.3.3(a) ***Investments exposed to price risk***

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

	2016	2015
	(Rupees)	
Investment in equity securities	**10,348,560**	10,312,970

32.3.3(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	
	2016	2015
	(Rupees)	
Short term investment at fair value through profit and loss account		
Effect of increase	**1,034,856**	1,031,297
Effect of decrease	**(1,034,856)**	(1,031,297)

32.3.3(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.

32.4 **Fair values**

32.4.1 **Fair value versus carrying amounts**

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

32.4.2 **Fair value hierarchy**

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

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).

32.4.3 **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.

32.5 Financial instruments-fair values

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

		Carrying Amount			Fair Value		
		Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
On-Balance sheet financial instruments	*Note*	----------	----------	Rupees	----------	----------	----------
30 June 2016							
Financial assets measured at fair value		-	-	-	-	-	-
		-	-	-	-	-	-
Financial assets not measured at fair value							
Cash and bank balances	*32.5.1*	82,944,410	-	82,944,410	-	-	-
Deposits and other receivables	*32.5.1*	25,216,705	-	25,216,705	-	-	-
Long term deposits	*32.5.1*	5,792,530	-	5,792,530	-	-	-
Trade debts - unsecured, considered good	*32.5.1*	113,947,837	-	113,947,837	-	-	-
Short term investments		10,348,560	-	10,348,560	10,348,560	-	-
		238,250,042	-	238,250,042	10,348,560	-	-
Financial liabilities measured at fair value		-	-	-	-	-	-
		-	-	-	-	-	-
Financial liabilities not measured at fair value							
Long term financing - secured	*32.5.1*	-	167,855,151	167,855,151	-	-	-
Trade and other payables	*32.5.1*	-	122,008,357	122,008,357	-	-	-
Short term borrowings	*32.5.1*	-	394,147,448	394,147,448	-	-	-
Accrued mark up	*32.5.1*	-	9,810,760	9,810,760	-	-	-
		-	693,821,716	693,821,716	-	-	-

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

32.6 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.

33 Remuneration of key management personnel

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

	Chief Executive	
	2016	2015
	-------------Rupees------------	
Managerial remuneration	**1,680,000**	1,680,000
Leave encashment	**300,000**	300,000
Utilities	**720,721**	120,000
Medical expenses	**512,898**	395,332
	3,213,619	2,495,332
Number of persons	**1**	1

	Executive Director		Executives	
	2016	2015	**2016**	2015
	----------------Rupees----------------			
Managerial remuneration	**2,856,000**	2,576,000	**13,356,000**	10,337,600
Retirement benefits	**187,000**	168,667	**874,500**	676,867
Leave encashment	**170,000**	153,334	**572,934**	330,166
Utilities	**527,479**	184,000	**954,000**	738,400
Medical expenses	**254,347**	211,689	**500,673**	452,094
	3,994,826	3,293,690	**16,258,107**	12,535,127
Number of persons	**1**	1	**12**	12

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

33.1 The Company has employed following number of persons:

	2016	2015
	(Number of persons)	
- Total number of employees as at 30 June	1,329	1,364
- Average number of employees during the year	1,335	1,357

34 Plant capacity and actual production

	Unit	2016	2015
Spinning			
Number of spindles installed	*No.*	**42,240**	42,240
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**17,046,180**	15,472,686
Actual production converted into 20s count	*Kgs*	**18,761,770**	17,046,180

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

35 Date of authorization for issue

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

Lahore

Chief Executive

Director