



Contents

Company Information	02
Notice of Annual General Meeting	03
Directors' Report to the Shareholders	04
Statement of Compliance with the Code of Corporate Governance	06
Auditors' Review on Compliance of the Code of Corporate Governance	08
Auditors' Report to the Members	09
Balance Sheet	10
Profit & Loss Account	12
Statement of Comprehensive Income	13
Cash Flow Statement	14
Statement of Changes in Equity	15
Notes to the Accounts	16
Key Financial Data of Last Six Years	39
Pattern of Shareholding	40
Form of Proxy	43

Company Information

BOARD OF DIRECTORS

Khawaja Mohammad Jahangir	(Chief Executive)
Khawaja Mohammad Jawed	(Director)
Khawaja Mohammad Tanveer	(Director)
Khawaja Mohammad Kaleem	(Director)
Khawaja Mohammad Nadeem	(Director)
Mr. Mohammad Naveed	(Director)
Mr. Mohammad Aman	(Director)
Mr. Mohammad Tariq Sufi	(Independent Director)

AUDIT COMMITTEE

Mr. Mohammad Naveed	(Chairman)
Khawaja Mohammad Jawed	(Member)
Mr. Mohammad Aman	(Member)

HR & REMUNERATION COMMITTEE

Khawaja Mohammad Jawed	(Chairman)
Khawaja Mohammad Jahangir	(Member)
Khawaja Mohammad Tanveer	(Member)

COMPANY SECRETARY

Mr. Muhammad Jahangir Khan jahangir@chakwalgroup.com.pk	BA (LLB), MBA, DTL, FCIS
--	--------------------------

CHIEF FINANCIAL OFFICER

Mr. Muhammad Ashraf	(FCMA)
---------------------	--------

BANKERS

Habib MetroBank Limited
Allied Bank of Pakistan
MCB Bank Limited
The Bank of Punjab
Meezan Bank Limited

AUDITORS

Aslam Malik & Co.
Chartered Accountants
Suite # 18-19, 1st Floor,
Central Plaza, Civic Centre,
New Garden Town, Lahore, Pakistan

CORPORATE & REGISTERED OFFICE

7/1-E-3 Main Boulevard Gulberg III, Lahore
Tel : (042) 35717510
Fax : (042) 35755760

SHARE REGISTRARS

Corp link (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore
Tel : (042) 35839182
Fax : (042) 35869037

MILLS

49-Kilometer
Multan Road, Bhai Phero
Tel : (04943) 540083-4

Notice Of Annual General Meeting

Notice is hereby given that the 28th Annual General Meeting of CHAKWAL SPINNING MILLS LIMITED will be held on Sunday, January 31, 2016 at 11:00 a.m. at 31-F Main Market Gulberg II, Lahore to deal with the following matters :-

ORDINARY BUSINESS:

1. To confirm the minutes of last AGM held on October 31, 2014.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2015 together with the reports of directors and auditors thereon.
3. To appoint auditors for the year ending June 30, 2016 and to fix their remuneration. A share holder of the company has given notice under section 253 of the Companies Ordinance, 1984 proposing appointment of M/S Nasir Javaid Maqsood Imran Chartered Accountants as auditors of the company for the year ending June 30, 2016 in place of retiring auditors M/S Aslam Malik & Co, Chartered Accountants.

SPECIAL BUSINESS:

1. To consider and approve the remuneration of a Director of the company.
2. To transact any other business which may be brought forward with the permission of the Chair.

Statement u/s 160 along with information u/s 218 of the companies ordinance, 1984 is annexed to the notice of the meeting sent to the shareholders.

BY ORDER OF THE BOARD

Lahore:
January 10, 2016

MUHAMMAD JAHANGIR KHAN
Company Secretary / General Manager (Legal)

BOOK CLOSURE

The Member's Register will remain closed from January 25, 2016 to January 31, 2016 (both days inclusive).

NOTES:

1. A member entitled to attend the meeting may appoint another member as his/her proxy to attend the meeting of him/her behalf. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.
2. The beneficial owner of the shares of the company in the central depository system of the CDC or his/her proxy entitled to attend this meeting shall produce his/her original CNIC or passport to prove the identity. CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.
3. Transfer received in order by the close of business hours on January 24, 2016 will be treated in time. The same or any change in address, if any, alongside valid copy of CNIC for filing annual return of company be sent to our share registrar M/s Corp link (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel. 042-35839182.
4. In terms of SECP's SRO 787(1)/2014, members can now receive audited financial statements alongside notice of AGM electronically through email. Therefore members (physical or CDC shareholders) who are interested in receiving the same are required to send their email addresses and consent for electronic transmission to share registrar of the company or directly to their broker(participant)/CDC investor account services, as the case may be.
5. The company has also placed the audited financial statements for the year ended 30-6-2015 alongside directors and auditor's report thereon on its website www.chakwalgroup.com

**STATEMENT UNDER SECTION 160
OF THE COMPANIES ORDINANCE, 1984**

The statement sets out the material facts concerning the special business to be transacted at the 28th Annual General Meeting of the Company to be held on Sunday, January 31, 2016 at 11:00 a.m. at 31-F Main Market Gulberg II, Lahore.

Approval of the shareholders will be sought for the remuneration payable to a Director of the company Mr. Khawaja Mohammad Kaleem. For this purpose, it is intended to propose that the following resolution be passed as a Special Resolution.

"RESOLVED THAT the company hereby authorizes the payment as remuneration to a Director Mr. Khawaja Mohammad Kaleem not exceeding in aggregate of Rs. 1,000,000/- per month inclusive of house rent allowance and exclusive of utilities and other perquisites and benefits w.e.f July 01, 2015 to which he is entitled under his terms of employment".

The Director may be considered interested in this special business to the extent of remuneration payable to him .

CHAKWAL SPINNING MILLS LIMITED
7/1, E-3, Main Boulevard Gulberg III, Lahore.
042 35757108

NOTICE UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

TO - ALL MEMBERS OF THE COMPANY

In terms of section 218 of the Companies Ordinance, 1984 the members of the company are informed that the Board of Directors in their meeting held on January 10, 2016 has approved remuneration, perquisites and allowances to Mr. Khawaja Mohammad Kaleem, being the working Director of the company as per following:

Remuneration

Gross aggregate monthly salary not exceeding Rs. 1,000,000/- (rupees one million only). This will exclusive of other allowances as per company policy like medical, conveyance, gratuity etc and take effect from July 1, 2015

Mr. Khawaja Muhammad Kaleem being director and shareholder of the company have interest to the extent of remuneration and other benefits to which he is entitled.

for and on behalf of Chakwal Spinning Mills Limited

Lahore:
January 10, 2016

MUHAMMAD JAHANGIR KHAN
Company Secretary / General Manager (Legal)

Directors' Report to the Shareholders

The Directors take great pleasure to present before you the 28th Annual Report of your company together with Audited Financial Statements for the year ended June 30, 2015.

Performance of the company

During the year under review, the performance of the company was not encouraging as net sales of the company dropped by Rs.608.338 million (22%) compared to the last year. The drastic decrease in sales was due to lower export as a result of supplies at lower rate by exporters of India as well as decline in US dollar value compared to Pak Rupee in addition to sluggish overall textile scenario which severely affected overall export of the country. In addition, unrealistic decrease in raw material prices resulted matchless decrease in corresponding sale prices in local market as well. The company could not achieve the optimum capacity utilization which resulted decline in turnover as compared to last year which also affected the performance of the company due to acute shortage of natural gas supply to textile sector. The company posted gross profit of Rs.34.508 million compared to Rs. 228.754 million of previous year showing a decrease of 85% mainly due to drastic decrease in sales, increase in electricity and gas tariff, and rise in salaries and wages. The company has registered a net loss of Rs.139.431 million compared to Rs.52.259 million of last year.

Future outlook

Spinning industry is the backbone of economy of the country contributing almost 8% of GDP with significant potential of growth. The major factors hampering the performance of spinning industry which is already striving hard are acute shortage of natural gas especially in the province of Punjab and higher electricity tariff. Government has reduced electricity rate by Rs.3.00 per unit effective January 01, 2016 which shall positively contribute in reducing production cost. Cotton is our major raw material and fluctuation in prices and availability of cotton significantly affects the profitability of a spinning unit. However, prices both in local as well as in international market are under pressure. Since, local cotton in the country remain available throughout the year, procurement is made in view of production requirement spread over the year at competitive prices.

The directors of the company are fully aware of the affairs of the company and are making their strenuous efforts to further improve overall performance of the company through increased productivity, cost control and by devising optimal production strategies at their best by taking every step necessary to meet the challenges except external factors and the circumstances beyond control.

Acknowledgement

The directors wish to place on record their appreciation for the true efforts of the executives, officers, staff members and workers of the company in achieving the best possible results. They also thanks their shareholders, customers and banks for their continued support in smooth running of company's operations and are hopeful that their cooperation will be continued with the same spirit in the years to come.

For and on behalf of the Board

Lahore
January 10, 2016

(KHAWAJA MOHAMMAD JAHANGIR)
Chief Executive

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 5.19 of Karachi Stock Exchange Guarantee Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance (CCG).

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages the representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes: -

Category	Names
Independent Director	1. Mr. Mohammad Tariq Sufi
Executive Directors	1. Khawaja Mohammad Jahangir 2. Khawaja Mohammad Kaleem
Non Executive Directors	1. Khawaja Mohammad Iaved 2. Khawaja Mohammad Tanveer 3. Khawaja Mohammad Nadeem 4. Mr. Mohammad Naveed 5. Mr. Mohammad Aman

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.(excluding the listed subsidiaries of listed holding companies wherever applicable)

The Independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision /mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the Chief Executive and other working director(s) have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chief Executive or in his absence other director elected by the board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors at Chakwal Spinning Mills Board are fully conversant with their duties and responsibilities as Director of corporate bodies. The Chief Executive recommends that the members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.

10. The Board has already approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment.
11. The director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee, It comprises of three members, of whom all are non executive directors and the chairman of the committee is from non executive directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of references of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration committee; It comprises of three members, including the CEO and the non executive directors while the chairman of the committee is a non executive director.
18. The Board has set up an effective internal audit function which was duly reviewed and ratified by the audit committee and approved by the Board of Directors of the Company.
19. The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed period" prior to the announcement of interim/final results and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Chkwal Spinning Mills Limited to comply with the Listing Regulation of Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

The Code requires the Company to place before, the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2015.

Lahore
January 10, 2016

Aslam Malik & Co.
Chartered Accountants

Audit Engagement Partner:
Mohammad Aslam Malik

AUDITORS' REPORT TO THE MEMBERS

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

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

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

- (a) The company's interest free loan from directors is carried in the statement of financial position at Rs. 271.256 million. Management has not stated the loan at amortized cost, which constitutes a departure from International Financial Reporting Standards. The company's records indicate that had management stated the adoption of new, revised International Financial Reporting Standards and interpretations. Its impact is not quantifiable as payment terms are not determinable.
- (b) In our opinion, proper book of accounts have been kept by the company as required by the Companies Ordinance, 1984.
- (c) In our opinion:
 - (i) Except for the effect of the matter referred to in paragraph (a) above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.
 - (ii) The expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (d) In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph (a) above, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2015 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended, and
- (e) In our opinion Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore
January 10, 2016

Aslam Malik & Co.
Chartered Accountants

Audit Engagement Partner:
Mohammad Aslam Malik

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Chkwal Spinning Mills Limited to comply with the Listing Regulation of Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

The Code requires the Company to place before, the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2015.

Lahore
January 10, 2016

Aslam Malik & Co.
Chartered Accountants

Audit Engagement Partner:
Mohammad Aslam Malik

AUDITORS' REPORT TO THE MEMBERS

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

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

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

- (a) The company's interest free loan from directors is carried in the statement of financial position at Rs. 271.256 million. Management has not stated the loan at amortized cost, which constitutes a departure from International Financial Reporting Standards. The company's records indicate that had management stated the adoption of new, revised International Financial Reporting Standards and interpretations. Its impact is not quantifiable as payment terms are not determinable.
- (b) In our opinion, proper book of accounts have been kept by the company as required by the Companies Ordinance, 1984.
- (c) In our opinion:
 - (i) Except for the effect of the matter referred to in paragraph (a) above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.
 - (ii) The expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (d) In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph (a) above, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2015 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended, and
- (e) In our opinion Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore
January 10, 2016

Aslam Malik & Co.
Chartered Accountants

Audit Engagement Partner:
Mohammad Aslam Malik

Balance Sheet

	Note	2015 Rupees	2014 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital:			
100,000,000 (2014: 100,000,000 of Rs.05/- each) ordinary shares of Rs.5/- each		500,000,000	500,000,000
Issued, subscribed and paid up share capital	3	200,000,000	200,000,000
Accumulated Profit		78,862,703	211,166,141
		278,862,703	411,166,141
Surplus on Revaluation of Property, Plant and Equipment	4	184,222,910	193,399,152
Loan from Directors (subordinated)	5	271,256,000	271,256,000
Liabilities Against Asset Subject to Finance Lease	6	6,097,434	11,825,122
Non Current Liabilities			
Deferred liabilities	7	84,650,590	84,503,658
Current Liabilities			
Trade and other payables	8	520,504,027	383,132,649
Accrued mark- up	9	8,078,474	9,646,162
Short term borrowings	10	375,665,038	372,263,513
Current portion of non current liabilities	6	5,727,696	5,349,418
Provision for taxation	11	15,744,853	7,118,745
		925,720,088	777,510,487
Contingencies and Commitments	12	-	-
		1,750,809,726	1,749,660,560

The annexed notes 1 to 39 form an integral part of these financial statements.

AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	13	1,126,705,782	1,121,979,763
Capital Work In Progress - Building	14	802,386	13,842,397
		1,127,508,168	1,135,822,160
Long term loans	15	7,129,250	5,511,500
Long term deposits	16	9,622,191	8,797,191
		16,751,441	14,308,691
Current Assets			
Stores and spares	17	11,756,974	15,660,647
Stock in trade	18	342,924,309	294,934,404
Trade debts	19	54,209,558	90,972,068
Loans and advances	20	187,200,724	174,638,598
Trade deposits, prepayments, accrued interest and other receivables	21	6,517,759	13,770,303
Cash and bank balances	22	3,940,793	9,553,688
		606,550,117	599,529,709
		1,750,809,726	1,749,660,560

(Khawaja Mohammad Kaleem)
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees
Sales	23	2,112,614,812	2,720,953,201
Cost of sales	24	(2,077,809,676)	(2,492,198,739)
Gross Profit		34,805,136	228,754,462
Distribution cost	25	(48,578,990)	(56,259,821)
Administrative expenses	26	(72,863,490)	(58,638,830)
		(121,442,481)	(114,898,651)
Operating (Loss) / Profit		(86,637,345)	113,855,811
Finance cost	27	(42,958,014)	(46,983,353)
Other operating expenses	28	(2,904,840)	(5,126,336)
Other operating income	29	808,353	696,876
(Loss) / Profit before Taxation		(131,691,846)	62,442,998
Taxation	30	(7,739,309)	(10,184,229)
(Loss) / Profit after Taxation		(139,431,154)	52,258,769
(Loss) / Earnings per Share - Basic & Diluted	31	(3.49)	1.31

The annexed notes 1 to 39 form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees
(Loss)/Profit after taxation		(139,431,154)	52,258,769
Other comprehensive income for the year		-	-
Items that will not be reclassified to Profit or loss			
Remeasurment of net defined benefit liability	7.1.3	1,146,194	(5,758,978)
Total comprehensive Income for the year		<u>(138,284,960)</u>	<u>46,499,791</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015**

	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(131,691,846)	62,442,998
Adjustments for:		
- Depreciation	69,884,057	59,660,149
- Provision for gratuity	9,179,049	9,279,657
- Gain on disposal of property, plant and equipment	(808,353)	(696,876)
- Assets written off	2,211,780	1,141,463
- Finance cost	42,958,014	46,983,353
- Workers' (profit) participation fund	-	3,309,873
	<u>123,424,547</u>	<u>119,677,619</u>
Operating profit before working capital changes	(8,267,299)	182,120,617
- Stores and spares	3,903,673	(1,048,573)
- Stock in trade	(47,939,905)	72,564,289
- Trade debts	36,762,510	13,698,725
- Loans and advances	2,525,234	18,705,275
- Trade deposits, prepayments, accrued interest and other receivables	7,252,544	9,610,126
Increase / (decrease) in current liabilities	<u>136,329,480</u>	<u>(29,571,466)</u>
- Trade and other payables	138,783,536	83,958,376
Cash generated from operations	130,516,238	266,078,993
Finance cost paid	(44,525,702)	(46,335,647)
Gratuity paid	(7,032,117)	(5,836,680)
Long term advances	(2,000,000)	-
Income tax paid	(14,095,134)	(19,157,663)
Net cash from Operating Activities	62,063,285	194,749,003
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(83,632,348)	(130,408,776)
Capital Work in Progress	13,040,011	(13,277,927)
Long term loans	(1,617,750)	(86,503)
Long term deposits	(825,000)	(2,439,887)
Proceeds from disposal of property, plant and equipment	7,618,846	920,120
Net Cash used in Investing Activities	(65,416,241)	(145,292,973)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	3,401,525	44,016,099
Long term Loan	-	(100,000,000)
Liabilities against subject to finance lease	(5,349,410)	17,174,540
Dividend paid	(312,053)	(1,820,631)
Net Cash from Financing Activities	(2,259,938)	(40,629,992)
Net Decrease in Cash and Cash Equivalents	(5,612,894)	8,826,036
Cash and cash equivalents at the beginning of the year	9,553,688	727,650
	<u>3,940,793</u>	<u>9,553,688</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

Lahore
January 10, 2016

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015**

	Paid Up Share Capital	Accumulated (Loss)/ Profit	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2013	200,000,000	188,875,776	388,875,776
	-	-	-
Balance as on June 01, 2013	200,000,000	188,875,776	388,875,776
Interim dividend	-	(1,285,252)	(1,285,252)
Total comprehensive income for the Year ended June 30, 2014	-	46,499,791	46,499,791
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax	-	3,418,317	3,418,317
Adjustment of Revaluation of fixed assets	-	(26,342,492)	(26,342,492)
Balance as at June 30, 2014	200,000,000	211,166,140	411,166,140
Total comprehensive income for the Year ended June 30, 2015	-	(138,284,960)	(138,284,960)
Interim dividend	-	(475,592)	(475,592)
Remeasurment of net defined benefit liability	-	(1,146,194)	(1,146,194)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax	-	7,603,309	7,603,309
Balance as at June 30, 2015	200,000,000	78,862,703	278,862,703

The annexed notes 1 to 39 form an integral part of these financial statements.

Lahore
January 10, 2016

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015****1. THE COMPANY AND ITS OPERATIONS**

The Company was incorporated in Pakistan on January 31, 1988 as a Public Limited Company. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Kashana-e-Yousaf, Khawaja Street, Chakwal. The Company is engaged in the business of textile spinning, knitting, fabrics processing and garment stitching.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Statement of compliance**

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

Basis of measurement

These financial statements have been prepared under the historical cost convention except certain property, plant and equipment that have been stated at revalued amount and retirement benefits which have been recognized at present value determined by actuary.

2.2 Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

Staff retirement benefits

Certain actuarial assumption has been adopted as disclosed in note 4 the financial statements for valuation of present value of defined benefit obligations.

Property, plant and equipment

The Company has made certain estimations with respect to residual value and depreciable lives of property, plant and equipment. The Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

Income Taxes

In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in past.

2.3 Adoption of New and Revised Standards and Interpretations

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual reporting periods beginning on or after)
IFRS-2	Share-based Payments (Amendments)	1-Jul-14
IFRS-3	Business Combinations (Amendments)	1-Jul-14
IFRS-8	Operating Segments (Amendments)	1-Jul-14
IFRS-14	Regulatory Deferral Accounts	1-Jan-16
IFRS-15	Revenue from Contracts with Customers	1-Jan-17
IAS-16	Property, Plant & Equipment (Amendments)	July 1, 2014 & January 01, 2016
IAS-19	Employees Benefits: (Amendments)	1-Jul-14
IAS-24	Related Party Disclosures (Amendments)	1-Jul-14
IAS-32	Financial Instruments: Presentation (Amendments)	1-Jan-14
IAS-36	Impairment of assets (Amendments)	1-Jan-14
IAS-38	Intangible Assets (Amendments)	1-Jan-16
IAS-39	Financial Instruments: Recognition and Measurement (Amendments)	1-Jan-14
IAS-40	Investment Property (Amendments)	1-Jul-14
IAS-41	Agriculture (Amendments)	1-Jan-16
IFRIC 21	Leases	1-Jan-14

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact on the Company's financial statements other than in presentation / disclosures

Further, the following new standards and interpretations have been Issued by the International Accounting Standards Board (IASB), which have not been notified upto June 30, 2014 by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

IFRS-1	First-time adoption of International Financial Reporting standards
IFRS-9	Financial instruments
IFRS-10	Consolidated financial statements
IFRS-11	Joint arrangements
IFRS-12	Disclosure of interests in other entities
IFRS-13	Fair value measurement

The following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4	Determining whether an arrangement contains a lease
IFRIC 12	Service concession arrangements

2.4 Staff retirement benefits

The company operates an unfunded and unapproved gratuity scheme for its employees, which is a defined benefit plan based upon the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation at the end of the year. The valuation in these accounts is worked out on the Projected Unit Credit Actuarial Cost method.

Any Actuarial gains and losses are recognized immediately in the statement of other Comprehensive income.

2.5 Provisions

Provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

2.6 Trade and other payables

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

2.7 Taxation**Current**

Charge for taxable income is based at current tax rates after taking into account all tax credits and rebates available, if any. In case of taxable loss higher of minimum tax u/s 113 and presumptive tax u/s 154 of the Income Tax Ordinance is provided in the accounts.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets, as required by IAS-12 (Income Taxes), are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

2.8 Property, plant and equipment**Owned assets**

Property, plant and equipment are stated at cost / revalued amount less accumulated depreciation and identified impairment losses except free hold land that is stated at cost. Cost of property, plant and equipment consist of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 14. Depreciation on all additions is charged from the month the asset is ready for the intended use and on disposals is charged upto the month in which the asset is disposed off.

Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gain or loss on disposal of property, plant and equipment are included in the current year income.

Leased assets

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of such assets. The related obligations under the lease are accounted for at net present value of liabilities. The assets so acquired are depreciated over their expected useful life at the same rates and basis as of owned assets given in Note 14. The depreciation is charged to current year's income.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

2.9 Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

2.10 Stocks and stores

These are valued at lower of cost and net realisable value. Costs are determined using the following basis:

Stores and spare parts	- at moving average cost
Raw materials	- at average cost
Work in process	- at manufacturing cost using average cost method
Finished goods	- at average manufacturing cost
Goods in transit	- at cost comprising invoice value plus other charges incurred thereon.

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labour and appropriate manufacturing overheads.

Net realizable value signifies estimated selling price in the ordinary course of business less necessary cost to make the sale.

2.11 Trade debts

All outstanding receivables are reviewed at the balance sheet date. The Company recognizes and carries these receivables at original invoice amount less an allowance for any uncollectible amounts, if any. Bad debts, if any, are written off as incurred and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

2.12 Foreign currency transactions and translation

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the balance sheet date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in income currently.

2.13 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cheques in hand and deposits with banks.

2.14 Financial instruments

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

A financial asset and financial liability is offset and the amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.15 Related party transactions

Transactions with related parties are made at arm's length prices using comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

2.16 Financial Assets and Liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and are de-recognized, in case of financial assets when the Company loses control of the contractual rights through either realization, surrender or expiration and in case of financial liability on extinguishments, discharge, cancellation or expiration of obligation specified in the contract.

Financial assets include investments, cash and bank balance, trade debts, advances, deposits and other receivables. Trade debts are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, while other financial assets are stated at cost. Any gain or loss on the recognition and derecognition of the financial assets is included in the net profit and loss for the period in which it arises.

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include creditors, accrued and other liabilities and unclaimed creditors, accrued and other liabilities and unclaimed dividend are stated at their nominal value. financial charges are accounted for on accrual basis. Any gain or loss on the recognition and derecognition of the financial liability is included in the net profit and loss for the period in which it arises.

2.17 Borrowing Cost

Borrowing costs are charged to income as and when incurred except to the extent costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of asset.

2.18 Offsetting of Financial Assets and Financial Liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.19 Dividend

Dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

2.20 Functional and presentation currency

The financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency.

2.21 Revenue recognition

- Revenue from local sales is recognized on despatch of goods to customers and from exports at the time of bill of lading.
- Dividend income is accounted for when the right to receive dividend has been established.
- Profit / interest is accounted for on accrual basis.
- Rebates are accounted for as and when allowed.

Note 3

Issued, Subscribed and Paid up Capital

2015	2014		2015	2014
No. of shares			Rupees	Rupees
40,000,000	40,000,000	Ordinary shares of Rs. 5 each (2014 Rs. 5) fully paid in cash.	200,000,000	200,000,000

- 3.1** The paid up Capital of the company was reduced to the extent of 50% i.e. Rs. 200 million by cancelling the issued and paid up capital of the company which has been lost are un- presented by its valuable assets as per orders of honorable Lahore High Court, Lahore vide CO No.54/2011 duly acknowledged by Securities and Exchange Commission of Pakistan.

Note 4

Surplus on Revaluation of Property Plant and Equipment

	Note	2015 Rupees	2014 Rupees
Free hold Land			
Balance as at July 01		69,510,708	-
Surplus arising on revaluation carried out during the year	4.1	-	69,510,708
		69,510,708	69,510,708
Building on free hold Land			
Balance as at July 01		58,852,746	-
Related deferred tax		(1,029,923)	-
Incremental depreciation charged on revalued plant and machinery in current year transferred to retained earnings		(4,855,352)	-
Surplus arising on revaluation carried out during the year	4.1	-	58,852,746.00
		52,967,471	58,852,746
Plant and machinery			
Balance as at July 01		64,252,048	54,804,506
Related deferred tax	4.2	(530,079)	(639,033)
Incremental depreciation charged on revalued plant and machinery in current year transferred to retained earnings		(2,682,523)	(3,418,317)
Increase in surplus arising on revaluation carried out during the year	4.1	-	13,504,897
		61,039,446	64,252,048
Power house			
Balance as at July 01		783,650	-
Related deferred tax		(12,930)	-
Incremental depreciation charged on revalued plant and machinery in current year transferred to retained earnings		(65,435)	-
Surplus arising on revaluation carried out during the year	4.1	-	783,650
		705,285	783,650
		184,222,910	193,399,152

- 4.1** This represents surplus resulting from revaluation of freehold land, building and plant & machinery carried out on June 27, 2014 by Messrs Material & Design Services (pvt) Limited, an independent valuer on prevailing market prices. Previously revaluation of plant & machinery was carried out on May 18, 1996 by an independent valuer.
- 4.2** This represents amount transferred (to)/from deferred tax liability due to change in proportion of local and export sales that has resulted in change in estimate of deferred tax on surplus on revaluation of property, plant and equipment.

Note 5

Loan from related parties

	2015 Rupees	2014 Rupees
Loan from directors	271,256,000	271,256,000

- 5.1 The directors have injected unsecured and interest free loans for the repayment of liabilities of the banks and BMR of the Company. The loan is repayable at the time at the convenience of the company. The director's of the company have confirmed that they would not demand repayment of loan for a period of 12 months of the balance sheet date. Hence the loan has been classified as long term liability.

Note 6

Liabilities against Assets Subject to Finance Lease

	2015			2014		
	Minimum Lease Payments	Finance Charges Value	Principal	Minimum Lease Payments	Finance Charges Value	Principal
Not later than one year	7,294,551	1,197,117	6,097,434	7,294,551	1,945,133	5,349,418
Later than one year and not later than five years	6,078,793	351,097	5,727,696	13,373,344	1,548,222	11,825,122
	13,373,344	1,548,214	11,825,130	20,667,895	3,493,355	17,174,540

- 6.1 This represents lease of Auto Cone with Hab'b Metropolitan Bank Ltd. The principal amount of lease comes to Rs. 18 million carry mark-up @ 13.16% repayable in 36 equal monthly installments. The first installment was due on 18-05-2014

Note 7

Deferred Liabilities

	Note	2015 Rupees	2014 Rupees
Gratuity payable	7.1	36,644,508	34,497,576
Long term deposit	7.2	48,006,082	50,006,082
		84,650,590	84,503,658

7.1 Staff Gratuity-Defined Benefit Plan

The Company operates unfunded gratuity scheme for its employees that pays a lump sum gratuity to members on leaving company's service after completion of one year of continuous service. The future contribution rates of the scheme include allowances for deficit and surplus. Projected unit credit method based on the following significant assumptions used for valuation of this scheme. The latest actuarial valuation was carried out by Tanveer Alam Associates as on June 30, 2015.

7.1.1	Present value of defined benefit obligation	36,644,508	34,497,576
7.1.2	The amounts recognised in the profit and loss account and balance sheet are as follows:		
	Current service cost	6,686,070	6,930,105
	Interest cost	3,639,173	2,349,552
		10,325,243	9,279,657

	Note	2015 Rupees	2014 Rupees
7.1.3	Changes net in liability recognized in the balance sheet		
At the beginning of the year		34,497,576	25,295,621
Amount recognised during the year - as shown		10,325,243	9,279,657
Benefits payments		(7,032,117)	(5,836,680)
Remeasurements chargeable in other comprehensive Income		(1,146,194)	5,758,978
		<u>36,644,508</u>	<u>34,497,576</u>

7.1.4 Allocation of charge for the year

Cost of sales	24.2	6,686,070	5,710,053
Administrative expenses	26.1	3,639,173	2,906,274
		<u>10,325,243</u>	<u>9,279,657</u>

		2015	2014
Discount rate		9.50%	13.25%
Expected rate of increase in salary		8.50%	12.25%
Average expected remaining working life of Employees		7 years	7 years
Mortality Rates		SLIC 2001-2005	SLIC 2001-2005
		Setback 1 year	Setback 1 year
Withdrawal Rates		Age-Based	Age-Based
		(per appendix)	(per appendix)
Retirement assumption		60 years age	60 years age

- 7.2** This represents an interest free and unsecured long term advance received from a customer against the exclusive sale commitment of a particular quality of waste to him for a period of six years. The same has been extended / renewed for a further period of five years and shall be adjusted in the year 2017 or shall be extended / renewed for a further term as mutually agreed between the parties.

Note 8

Trade and Other Payables

	Note	2015 Rupees	2014 Rupees
Creditors			
- Secured		34,156,246	43,145,256
- Unsecured	8.1	337,673,401	248,840,336
Accrued liabilities		112,944,173	60,566,485
Other liabilities		1,947,974	2,087,544
Advances from customers		30,745,220	22,717,470
Dividend payable		384,347	220,808
Income tax payable		2,652,666	1,774,307
Provision for Doubtful Debts and Claim		-	470,570
Workers' (profit) participation fund	8.2	-	3,309,873
		<u>520,504,027</u>	<u>383,132,649</u>

- 8.1** This includes an amount of Rs. 1,356,933 (2014: Rs. 1,356,933) due to associated undertaking Kohinoor Spinning Mills Ltd as at June 30, 2015.

8.2 Workers' (profit) participation fund

	2015 Rupees	2014 Rupees
Opening balance	3,309,873	7,210,460
Contribution for the year	-	3,309,873
	3,309,873	10,520,333
Payment during the year	(3,309,873)	(7,210,460)
	-	3,309,873

The Company retained workers' (profit) participation fund for its business operations. Interest was provided at the prescribed rate under the Companies Profits (Workers' Participation) Act, 1968.

Note 9

Accrued Interest / Mark- up

	2015 Rupees	2014 Rupees
Accrued mark up / interest on:		
- Short term borrowings from banking companies	8,078,474	9,646,162
	8,078,474	9,646,162

Note 10

Short Term Borrowings

	Note	2015 Rupees	2014 Rupees
Banking companies - Secured			
Running / cash finance	10.1	323,075,541	302,372,786
Unpresented cheques	10.2	583,276	435,387
Related parties - Unsecured			
Loan from directors and others	10.3	52,006,221	69,455,340
		375,665,038	372,263,513

10.1 These represent utilized portion of short term finance facilities of Rs. 350 million (2014: Rs. 350 million) available from various banks under mark up arrangements. These are secured against pledge of cotton bales, yarn, synthetic/ polyester fiber of appropriate value, lien over export L/Cs, 1st charge of Rs.400 million over property, plant & equipment and personal guarantees of directors. Mark-up on the above facilities ranges from 3 months Kibor plus 0.2 % per annum, payable quarterly. These facilities shall expire on September 30, 2015 and are in the process of renewal.

10.2 This represents cheques issued in excess of bank balance that have not been presented at the balance sheet date but have been cleared subsequently.

10.3 These are un-secured and interest free funds obtained to meet the working capital requirements of the Company.

Note 11

Provision for Taxation - Net

	2015	2014
	Rupees	Rupees
Balance at the beginning of the year	7,118,745	16,443,174
Provision for the year	21,332,556	28,579,726
Prior year adjustment	370,887	(17,756,464)
	28,822,187	27,266,435
Paid / adjusted during the year	(13,077,334)	(20,147,691)
Balance at the end of the year	15,744,853	7,118,745

- 11.1** Assessments upto and including tax year 2014 have been finalized by deeming provisions of the Income Tax Ordinance, 2001. Tax liability for Rs.4,870,776 (2014:Rs. 4,870,776) has been demanded by the concerned assessing officer for the various assessment years against which company has filed appeals. No provision for this amount has been made because the management is confident that the decision shall be in favour of the company.

Note 12

Contingencies and Commitments

Contingencies

The Company has provided bank guarantee in favour of Sui Northern Gas Pipelines Limited amounting to Rs.38.522 million (2014: Rs.38.522 million) on account of payment of dues against consumption of natural gas.

Commitments

	2015	2014
	(Rupees) in million	(Rupees) in million
Commitments for:		
- Purchase of raw materials (Local)	28.800	43.300
Purchase of raw materials (Import)	5.900	-

2015

PARTICULARS	OWNED						
	Freehold land	Factory Buildings on free hold land	Colony Buildings on free hold land	Plant & Machinery	Power House	Tools & equipment	Office equipment
ST	74,520,000	273,192,727	27,826,116	1,150,364,662	131,843,501	4,772,805	1,208,883
Balance as at July 01, 2014	-	32,002,719	177,497	(20,034,756)	-	414,050	468,500
Transfer (Adjustment)	-	-	-	-	14,100,783	-	-
Balance as at June 30, 2015	74,520,000	305,195,443	98,003,613	1,211,739,608	145,944,284	5,186,925	1,698,383
DEPRECIATION	-	-	-	-	-	-	-
Balance as at July 01, 2014	-	155,049,177	10,102,693	479,830,210	60,843,501	893,390	591,633
Charge for the year	-	12,116,744	7,076,697	35,317,304	8,303,289	422,434	90,463
Balance as at June 30, 2015	-	167,165,921	17,179,390	502,487,364	69,146,790	1,315,824	690,096
Net Book Value as at June 30, 2015	74,520,000	138,029,522	71,064,225	709,252,244	86,300,494	3,871,081	1,008,288
in %	-	10%	-	5% & 10%	10%	10%	10%

ST	24,352,205	-	-	-	-	-	-
Balance as at July 01, 2014	-	-	-	-	-	-	-
Transfer (Adjustment)	-	-	-	-	-	-	-
Balance as at June 30, 2015	24,352,205	-	-	-	-	-	-
DEPRECIATION	-	-	-	-	-	-	-
Balance as at July 01, 2014	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-
Balance as at June 30, 2015	-	-	-	-	-	-	-
Net Book Value as at June 30, 2015	24,352,205	-	-	-	-	-	-
in %	-	-	-	-	-	-	-

ST	74,520,000	138,029,522	71,864,225	732,210,000	86,300,494	3,871,081	1,008,288
Balance as at July 01, 2014	-	-	-	-	-	-	-
Transfer (Adjustment)	-	-	-	-	-	-	-
Balance as at June 30, 2015	74,520,000	138,029,522	71,864,225	732,210,000	86,300,494	3,871,081	1,008,288
DEPRECIATION	-	-	-	-	-	-	-
Balance as at July 01, 2014	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-
Balance as at June 30, 2015	-	-	-	-	-	-	-
Net Book Value as at June 30, 2015	74,520,000	138,029,522	71,864,225	732,210,000	86,300,494	3,871,081	1,008,288
in %	-	-	-	-	-	-	-

PARTICULARS	OWNED						
	Freehold land	Factory Buildings on free hold land	Colony Buildings on free hold land	Plant & Machinery	Power House	Tools & equipment	Office equipment
ST	3,009,892	227,431,664	24,914,403	1,304,307,987	74,184,269	1,942,366	3,792,898
Balance as at July 01, 2013	-	-	-	-	-	-	-
Transfer (Adjustment)	69,510,738	16,761,053	43,091,713	(201,651,351)	763,000	3,335,615	-
Balance as at June 30, 2014	74,520,000	273,192,727	37,826,116	1,198,054,502	131,043,269	4,772,925	1,208,883
DEPRECIATION	-	-	-	-	-	-	-
Balance as at July 01, 2013	-	143,673,342	17,412,503	572,865,326	37,278,788	1,687,132	2,449,620
Charge for the year	-	11,375,935	750,190	36,261,401	7,492,649	156,709	120,321
Transfer (Adjustment)	-	-	-	(6,071,864)	6,271,854	-	-
Balance as at June 30, 2014	-	155,049,177	18,162,693	572,865,326	50,943,501	1,843,841	2,569,941
Net Book Value as at June 30, 2014	74,520,000	113,143,550	79,663,425	719,215,352	81,300,000	3,879,535	618,250
in %	-	10%	12%	5% & 10%	10%	10%	10%

ST	24,352,205	-	-	-	-	-	-
Balance as at July 01, 2013	-	-	-	-	-	-	-
Transfer (Adjustment)	-	-	-	-	-	-	-
Balance as at June 30, 2014	24,352,205	-	-	-	-	-	-
DEPRECIATION	-	-	-	-	-	-	-
Balance as at July 01, 2013	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-
Balance as at June 30, 2014	-	-	-	-	-	-	-
Net Book Value as at June 30, 2014	24,352,205	-	-	-	-	-	-
in %	-	-	-	-	-	-	-

ST	74,520,000	113,143,550	79,663,425	719,215,352	81,300,000	3,879,535	618,250
Balance as at July 01, 2013	-	-	-	-	-	-	-
Transfer (Adjustment)	-	-	-	-	-	-	-
Balance as at June 30, 2014	74,520,000	113,143,550	79,663,425	719,215,352	81,300,000	3,879,535	618,250
DEPRECIATION	-	-	-	-	-	-	-
Balance as at July 01, 2013	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-
Balance as at June 30, 2014	-	-	-	-	-	-	-
Net Book Value as at June 30, 2014	74,520,000	113,143,550	79,663,425	719,215,352	81,300,000	3,879,535	618,250
in %	-	-	-	-	-	-	-

13.1 The valuation of freehold land, building and plant & machinery was carried out on June 27, 2014 by Messrs Material & Design Services (Pvt) Limited, an independent valuer on prevailing market prices. Had there been no revaluation, the Cost, accumulated depreciation and book values of the revalued assets would have been as follows:

	As at June 30, 2015			As at June 30, 2014		
	Cost	Accumulated	Written Down	Cost	Accumulated	Written Down
	Rupees	Rupees	Rupees			
Land	74,570,000	-	-	5,009,292	-	-
Building	371,018,845	173,211,570	197,806,975.00	282,146,096	161,085,845	121,260,254
Plant and machinery	1,198,054,962	476,829,210	719,215,352	1,114,107,888	572,895,325	761,422,662
Power House	131,843,901	50,843,301	81,000,000	74,185,285	32,278,798	35,906,501

13.2 The depreciation charge for the year has been allocated as under

	Note	2015 Rupees	2014 Rupees
Cost of sales	24	65,845,951	56,565,310
Administrative expenses	26	4,038,106	3,094,738
		69,884,057	59,660,048

13.3 Detail of items of Property, plant & equipment Disposed off during the year.

2015							
Particulars	Cost / Revalued	Accumulated depreciation	Written down value	Disposal proceeds	Gain/(Loss)	Mode of disposal	Particulars of purchaser
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles							
Toyota Corolla LE-57/2	1,529,300	955,049	576,451	1,090,000	513,510	Negotiation	Rafiq Samiullah Khattar, Lahore
Suzuki Ahar 1 W/8626	540,790	460,094	80,196	375,000	294,894	Negotiation	Sajid Ali, Lahore
	2,069,790	1,413,143	656,647	1,465,000	808,353		

Particulars	Cost / Revalued	Accumulated depreciation	Written down value	Disposal proceeds	Gain/(Loss)	Mode of disposal	Particulars of purchaser
	Rupees	Rupees	Rupees	Rupees	Rupees		
Assets having book value exceeding Rs. 50,000							
Plant and machinery							
Dyeing Machinery - Metal Craft	2,822,878	1,852,810	969,068	661,855	(307,213)	Negotiation	
MPF Knitting Machine Trayway	256,169	162,589	92,570	74,400	(18,169)	Negotiation	
Vertical Dryer	177,500	112,358	64,142	47,183	(16,958)	Negotiation	
Dyeing Machine 3 T - Metal Craft	304,000	194,147	109,853	111,245	(1,302)	Negotiation	
Washing Machine 5" X 8" Kork	197,500	126,132	71,368	71,645	277	Negotiation	
Tufon Sheet for Dyeing Compactor	326,182	206,314	117,868	86,709	(31,159)	Negotiation	
Hot Knitting Machines 2 Nos - Reliance	798,000	475,397	312,603	273,819	(48,784)	Negotiation	
Dryer Machine 1 No - Reliance	4,103,000	2,455,605	1,647,394	1,282,010	(365,384)	Negotiation	
Flat Lock Machines 8 Nos - Reliance	376,000	226,229	151,771	111,844	(40,126)	Negotiation	
Over Lock Machines 26 Nos - Reliance	867,000	518,882	348,118	200,429	(147,679)	Negotiation	
Vibrating Lat. 1 Nos - Reliance	239,000	140,038	98,962	70,580	(28,371)	Negotiation	
Air Compressor 1 No - Reliance	880,000	837,445	42,555	279,531	(61,024)	Negotiation	
Electric Steam Press - No - Reliance	143,000	85,583	57,417	57,500	83	Negotiation	
Sewing Machine 20 Sets (Ishad Sewing Mach)	1,244,000	744,522	499,478	300,765	(198,713)	Negotiation	
Sewing Machine 24 Sets (Ishad Sewing Mach)	1,357,000	595,700	869,300	540,000	(329,300)	Negotiation	
Juki Machines 14 Nos (Ishad Sewing Mach)	378,000	229,229	151,771	100,732	(51,014)	Negotiation	Abul Trabian
Juki Machines 1 No. (Ishad Sewing Mach)	125,000	74,811	50,189	55,121	4,932	Negotiation	
Juki Machines 1 No. (Ishad Sewing Mach)	150,000	88,774	61,226	60,924	(698)	Negotiation	
Single Jersey Machines S-1106 30" Gauge 10 Nos	825,000	289,454	535,546	390,732	(144,734)	Negotiation	
Single Jersey Machines S-295 26" Gauge 06 Nos	408,000	169,520	238,480	187,433	(51,047)	Negotiation	
Inter Lock Knitting Machines 30" Gauge 06 Nos 1-1108	501,000	173,641	327,359	184,475	(142,834)	Negotiation	
Inter Lock Knitting Machines 30" Gauge 06 Nos 1-3P	326,000	113,019	212,981	140,815	(72,356)	Negotiation	
Reliance Tubewell Turbine	160,000	89,774	70,226	61,214	(9,012)	Negotiation	
Hemm Folder or stitching	277,387	189,013	88,374	81,828	(6,546)	Negotiation	
Reliance Electric Control Panels	1,457,000	895,441	601,559	440,783	(160,295)	Negotiation	
Lab Dip Machine - Metal Craft	70,000	44,704	25,296	18,608	(6,688)	Negotiation	
Fabric Reversing Machine with IM Blower	130,000	78,637	51,363	31,858	(19,505)	Negotiation	
Brushing Hilt	65,000	40,235	24,765	16,746	(8,019)	Negotiation	
Fabric Cutter Machine 2 Nos - Reliance	50,000	30,865	19,135	16,522	(2,613)	Negotiation	
Flat Lock (F/L) Machine 1 Set (Ishad)	50,000	33,233	16,767	13,660	(3,107)	Negotiation	
Cotton Dyeing Pump	70,000	38,772	31,228	22,921	(8,266)	Negotiation	
Electric fitting (Cables)	8,066	48,518	32,546	23,943	(8,603)	Negotiation	
Over lock 3 Thread Machines 2 Nos - Reliance	74,000	44,280	29,720	21,857	(7,863)	Negotiation	
	19,766,662	11,567,291	8,258,391	6,065,980	(2,192,424)		
Assets having book value below Rs. 50,000							
Plant and machinery							
Washing Machine for Sticking	20,000	12,773	7,227	7,415	188	Negotiation	
Zig Zag Machine 1 No - Reliance	30,000	18,751	11,249	9,746	(1,503)	Negotiation	
Tape Cutting Machine 1 No - Reliance	10,000	17,965	12,035	8,840	(3,195)	Negotiation	
Flat Lock Machine 1 No - Reliance	27,000	16,156	10,844	11,216	374	Negotiation	
Cof Folder 2 Nos - Waga Mechanical	35,000	21,545	13,455	13,633	(178)	Negotiation	
Hemm Folder or stitching Machine	15,500	11,071	4,429	5,455	(1,064)	Negotiation	Abul Trabian
Cables for Bed Sheet Sticking	3,924	1,751	1,173	1,301	124	Negotiation	
Electric fitting (Cables)	16,604	9,935	6,669	5,912	(703)	Negotiation	
Electric fitting (Cables)	26,594	15,918	10,676	7,085	(3,591)	Negotiation	
Electric fitting	16,170	8,087	8,083	4,215	(3,868)	Negotiation	
Electric fitting	48,280	30,694	17,586	14,281	(3,305)	Negotiation	
	266,074	161,840	107,234	87,878	(19,356)		
Rupees 2015	20,034,756	11,669,131	8,365,625	6,153,847	(2,211,760)		

Note 14

Capital Work In Progress

	2015	2014
	Rupees in million	Rupees in million
Capital Work In Progress		
Opening Balance	13,842,397	-
Addition during the year	1,243,268	13,842,397
Less:		
Transferred	(14,283,279)	-
	<u>802,386</u>	<u>13,842,397</u>

14.1 This represent the Construction of Colony building in factory premises.

Note 15

Long Term Loans

		2015	2014
	Note	Rupees	Rupees
Loans to employees - Unsecured and considered good	15.1	7,926,494	6,357,500
Current portion		(797,244)	(846,000)
		<u>7,129,250</u>	<u>5,511,500</u>

15.1 These represent interest free long term loans given to employees (other than chief executive, and directors) as per the policy of the Company, as house building finance.

Note 16

Long Term Deposits

	2015	2014
	Rupees	Rupees
Deposits against:		
- Utilities	2,151,246	2,151,246
- Margin on letter of guarantee	7,470,945	6,645,945
	<u>9,622,191</u>	<u>8,797,191</u>

Note 17

Stores and Spares

	2015	2014
	Rupees	Rupees
Stores	8,983,504	11,965,555
Spares	2,773,470	3,695,092
	<u>11,756,974</u>	<u>15,660,647</u>

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

Note 18

Stock in Trade

	2015	2014
	Rupees	Rupees
Raw materials	254,587,750	213,818,843
Work in process	41,863,970	27,018,495
Finished goods	46,472,589	54,097,067
	<u>342,924,309</u>	<u>294,934,404</u>

18.1 Raw materials and finished goods are under first charge by way of pledge as security for certain short term borrowings (refer to Note 11).

Note 19

Trade Debts

	Note	2015 Rupees	2014 Rupees
Local - Unsecured and considered good	19.1	53,470,857	68,445,474
Foreign - Secured and considered good		4,838,112	22,526,594
		58,308,969	90,972,068
Local - Unsecured and considered doubtful		(4,099,411)	-
Less: Provision for doubtful debts		(4,099,411)	-
		54,209,558	90,972,068

19.1 This includes Rs. Nil (2014: Rs. 469,200) due from Yousaf Weaving Mills Limited, an associated undertakings on account of Processing Charges.

Note 20

Loans and Advances

	Note	2015 Rupees	2014 Rupees
Current portion of loans to employees	15	797,244	816,000
Advances - Considered good			
- Suppliers and contractors	20.1	147,317,440	150,728,867
- Employees	20.2	2,952,997	2,248,145
- Sales tax and federal excise duty		9,794,825	9,564,726
- Income tax		26,338,218	11,250,858
		187,200,724	174,638,596

20.1 This includes Rs. Nil (2014: Rs. 355,885) due from Chakwal Textile Mills Limited & 83,540,275 (2014:Rs. 85,011,171) due from Yousaf weaving Mills Limited (associated undertaking) on account of purchase of raw material.

20.2 Amount due from directors, chief executive and executives of the Company is Nil (2014: Nil)

Note 21

Trade Deposits, Prepayments, Accrued Interest and Other Receivables

	2015 Rupees	2014 Rupees
Margin against letter of credit	5,795,000	13,695,000
Prepayments	509,588	75,303
Other receivables	213,171	-
	6,517,759	13,770,303

Note 22

Cash and Bank Balance

	2015 Rupees	2014 Rupees
Cash in hand	125,230	210,135
With banks		
- Current accounts	3,815,563	9,343,553
	3,940,793	9,553,688

Note 23

Sales

	2015	2014
	Rupees	Rupees
Local	1,174,214,358	1,377,109,145
Export	992,766,492	1,377,774,840
Local - Yarn processing Charges	21,213,279	586,311
	<u>2,188,194,129</u>	<u>2,755,470,296</u>
Sales tax	(54,819,933)	(21,292,703)
Commission to selling agents	(20,759,384)	(13,224,392)
	<u>(75,579,317)</u>	<u>(34,517,095)</u>
	<u>2,112,614,812</u>	<u>2,720,953,201</u>

Note 24

Cost of Sales

		2015	2014
	Note	Rupees	Rupees
Raw materials consumed	24.1	1,317,375,497	1,730,203,095
Fuel and power		297,953,072	355,620,089
Salaries, wages and benefits	24.2	242,982,630	179,550,030
Store and spares consumed		58,911,301	63,075,465
Packing material		64,848,652	59,659,588
Repairs and maintenance		9,226,006	8,281,316
Insurance		5,556,912	4,429,268
Yarn Doubling Charges		22,330,653	29,599,744
Depreciation	13.2	65,845,951	56,565,920
		<u>2,085,030,673</u>	<u>2,486,984,516</u>
Work in process			
- Opening		27,018,495	33,383,881
- Closing		(41,863,970)	(27,018,495)
		<u>(14,845,475)</u>	<u>6,365,386</u>
Cost of goods manufactured		<u>2,070,185,198</u>	<u>2,493,349,902</u>
Finished goods			
- Opening stock		54,097,067	49,181,197
Finished Goods Purchased (YARN)		-	3,764,706
- Closing stock		(46,472,589)	(54,097,067)
		<u>7,624,478</u>	<u>(1,151,164)</u>
		<u>2,077,809,676</u>	<u>2,492,198,739</u>
24.1	Raw materials consumed		
	Opening stock	213,818,843	284,933,614
	Purchases	1,361,096,675	1,660,374,358
		1,574,915,518	1,945,307,972
	Sales	(2,952,271)	(1,286,034)
	Closing stock	(254,587,750)	(213,818,843)
		<u>1,317,375,497</u>	<u>1,730,203,096</u>

24.2 This includes Rs. 6,686,070 (2014: Rs. 5,710,053) in respect of employee benefits - gratuity scheme.

Note 25

Distribution Cost

	2015	2014
	Rupees	Rupees
Export expenses	43,851,957	46,534,793
Freight	4,727,033	9,725,028
	<u>48,578,990</u>	<u>56,259,821</u>

Note 26

Administrative Expenses

		2015	2014
	Note	Rupees	Rupees
Salaries, wages and benefits	26.1	21,596,443	17,532,049
Director' remuneration		6,000,000	6,000,000
Travelling and conveyance		5,178,411	3,569,313
Rent, rates and taxes		2,509,500	2,400,000
Postage, fax and telephone		2,927,461	2,333,864
Repairs and maintenance		2,621,201	1,776,085
Insurance		2,301,669	1,701,415
Utilities		3,559,568	2,427,688
Printing and stationery		1,720,713	1,992,904
Entertainment		5,783,837	3,858,193
Vehicle running and maintenance		8,230,804	9,191,481
Fees and subscriptions		979,589	800,750
Legal and professional charges		1,236,881	963,480
Advertisement and publicity		56,950	40,750
Donations	26.2	16,700	661,000
Provision for doubtful debts		4,099,411	-
Depreciation	13.2	4,038,106	3,094,230
Miscellaneous		6,246	295,628
		<u>72,863,490</u>	<u>58,638,830</u>

26.1 This includes Rs. 3,639,173 (2014: Rs. 2,906,274) in respect of employee benefits - gratuity scheme.

26.2 None of the directors and their spouses had any interest in any of the donees.

Note 27

Finance Cost

	2015	2014
	Rupees	Rupees
- Finance lease	1,945,125	390,297
- Short term borrowings	36,122,415	39,427,958
- Bank charges and commission	4,890,474	7,165,098
	<u>42,958,014</u>	<u>46,983,353</u>

Note 28

Other Operating Expenses

	Note	2015 Rupees	2014 Rupees
Auditors' remuneration	28.1	675,000	675,000
Loss on disposal of property, plant and equipment		2,211,780	1,141,463
Workers' (profit) participation fund		-	3,382,349
Fine & Penalty		18,060	-
		<u>2,904,840</u>	<u>5,198,812</u>

28.1 Auditors' remuneration

Audit fee	550,000	550,000
Half yearly review and code of corporate governance	125,000	125,000
	<u>675,000</u>	<u>675,000</u>

Note 29

Other Operating Income

	2015 Rupees	2014 Rupees
Income from non financial assets		
Profit on sale of property, plant and equipment	808,353	696,876
	<u>808,353</u>	<u>696,876</u>
	<u>808,353</u>	<u>696,876</u>

Note 30

Taxation

	Note	2015 Rupees	2014 Rupees
Current			
- For the year	30.1	21,332,556	28,579,726
- Prior years		370,887	(17,756,464)
Tax adj		(12,391,201)	-
		<u>9,312,242</u>	<u>10,823,262</u>
Deferred		<u>(1,572,933)</u>	<u>(639,033)</u>
		<u>7,739,309</u>	<u>10,184,229</u>

30.1 This represents liability provided under section 113 & 154 of the Income Tax Ordinance 2001 calculated on the basis of gross turnover.

30.2 The income tax assessment of the company has been finalized upto and including tax year 2014 by deeming provisions of the Income Tax Ordinance 2001.

30.3 Numerical tax reconciliation has not been given since the company is liable to pay minimum tax of 0.5%.

30.4 Deferred tax asset amounting to Rs. 117 million (2014 Rs. 37 million) arising mainly due to brought forward losses amounting to Rs. 355 million has not been recognized in the current year, as the attributable temporary differences are not expected to reverse in the foreseeable future.

Note 31

Earnings per Share

		2015	2014
Loss after taxation	Rupees	(139,431,154)	52,258,769
		Number of shares	Number of shares
Weighted average number of ordinary shares outstanding during the year	Number	40,000,000	40,000,000
(Loss) / Earnings per share - basic	Rupees	<u>(3.49)</u>	<u>1.31</u>

31.1 Diluted earnings per share

There is no dilution effect on the basic (Loss) / earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 32

Remuneration of Chief Executive, Directors' and Executives

The aggregate amounts charged in the accounts for the year as remuneration and benefits to the chief executive, directors and executive of the Company are as follows:

		2015		2014	
	Chief Executive	Director	Executives	Director	Executives
			Rupees		Rupees
Managerial Remuneration	-	4,000,000	5,690,191	4,000,000	8,186,208
House rent allowance	-	1,500,000	2,276,077	1,600,000	2,182,992
Medical	-	-	327,184	-	327,184
utilities	-	400,000	569,019	400,000	545,750
	-	6,000,000	8,862,471	6,000,000	11,242,133
Number of persons	1	1	6	1	4

32.1 No fee has been charged by the directors for attending the Board Meetings.

32.2 Executives are defined as employees with basic salary exceeding Rs.500,000.

32.3 Chief Executive, Director and executives are provided with company maintained cars in addition to above.

Note 28

Other Operating Expenses

	Note	2015 Rupees	2014 Rupees
Auditors' remuneration	28.1	675,000	675,000
Loss on disposal of property, plant and equipment		2,211,780	1,141,463
Workers' (profit) participation fund		-	3,382,349
Fine & Penalty		18,060	-
		<u>2,904,840</u>	<u>5,198,812</u>

28.1 Auditors' remuneration

Audit fee	550,000	550,000
Half yearly review and code of corporate governance	125,000	125,000
	<u>675,000</u>	<u>675,000</u>

Note 29

Other Operating Income

	2015 Rupees	2014 Rupees
Income from non financial assets		
Profit on sale of property, plant and equipment	808,353	696,876
	<u>808,353</u>	<u>696,876</u>
	<u>808,353</u>	<u>696,876</u>

Note 30

Taxation

	Note	2015 Rupees	2014 Rupees
Current			
- For the year	30.1	21,332,556	28,579,726
- Prior years		370,887	(17,756,464)
Tax adj		(12,391,201)	-
		<u>9,312,242</u>	<u>10,823,262</u>
Deferred		<u>(1,572,933)</u>	<u>(639,033)</u>
		<u>7,739,309</u>	<u>10,184,229</u>

30.1 This represents liability provided under section 113 & 154 of the Income Tax Ordinance 2001 calculated on the basis of gross turnover.

30.2 The income tax assessment of the company has been finalized upto and including tax year 2014 by deeming provisions of the Income Tax Ordinance 2001.

30.3 Numerical tax reconciliation has not been given since the company is liable to pay minimum tax of 0.5%.

30.4 Deferred tax asset amounting to Rs. 117 million (2014 Rs. 37 million) arising mainly due to brought forward losses amounting to Rs. 355 million has not been recognized in the current year, as the attributable temporary differences are not expected to reverse in the foreseeable future.

Note 31

Earnings per Share

		2015	2014
Loss after taxation	Rupees	(139,431,154)	52,258,769
		Number of shares	Number of shares
Weighted average number of ordinary shares outstanding during the year	Number	40,000,000	40,000,000
(Loss) / Earnings per share - basic	Rupees	<u>(3.49)</u>	<u>1.31</u>

31.1 Diluted earnings per share

There is no dilution effect on the basic (Loss) / earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 32

Remuneration of Chief Executive, Directors' and Executives

The aggregate amounts charged in the accounts for the year as remuneration and benefits to the chief executive, directors and executive of the Company are as follows:

	2015		2014	
	Chief Executive	Director	Director	Executives
Managerial Remuneration	-	4,000,000	4,000,000	8,186,208
House rent allowance	-	1,600,000	1,600,000	2,182,992
Medical	-	-	-	327,184
utilities	-	400,000	400,000	545,750
	-	6,000,000	6,000,000	11,242,133
Number of persons	1	1	1	4

32.1 No fee has been charged by the directors for attending the Board Meetings.

32.2 Executives are defined as employees with basic salary exceeding Rs.500,000.

32.3 Chief Executive, Director and executives are provided with company maintained cars in addition to above.

Note 33

Transactions with Related Parties

The related parties comprise associated companies, related group companies, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	2015 Rupees in million	2014 Rupees in million
Associates		
Purchase of materials (Yousaf Weaving Mills Ltd.)	2.145	32.929
(Chakwal Textile Mills Ltd.)	48.941	54.151
(Kohinoor Spinning Mills Ltd.)	-	2.674
Sale of materials (Yousaf Weaving Mills Ltd.)	-	2.873
Sale of raw materials & Spare parts (Yousaf Weaving Mills Ltd.)	0.495	-
Directors		
Funds (received from) / repaid to directors (net)	17.449	31.605

Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method.

Note 34

Financial Risk Management

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

Market Risk
Credit Risk
Liquidity Risk

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

a) Market Risk**i) Currency Risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures. Primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Company's exposure to currency risk was as follows:

	2015	2014
	Rupees in million	
Trade debts	4.838	22.527
Gross balance sheet exposure	4.838	22.527
Outstanding letters of credit	-	-
Net exposure	4.838	22.527

The following significant exchange rates were applied during the year.

Average rate (Rupees per US Dollar)	98.00	98.78
Reporting date rate (Rupees per US Dollar)	98.75	98.75

Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However the company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2015 financial assets include Rs. Nil (2014: Rs. Nil) and financial liabilities include Rs. Nil (2014: Rs. Nil) which are subject to foreign currency risk against US Dollars.

Foreign Currency Sensitivity Analysis

At June 30, 2015 if the Rupee had weakened / strengthened by 1% against the US Dollar with all other variables held constant, profit for the year would have been lower / higher by Rs. 241,906 (2014: Rs. 1,126,330) mainly as a result of foreign exchange gains / losses on transaction of foreign currency trade debts and US Dollar denominated borrowings.

ii) Other Price Risk

Other price risk represents the risk that the fair value or future cash flows of a 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 instrument traded in the market. The Company is not exposed to equity and commodity price risk.

iii) Interest Rate Risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2015	2014
	Rupees	Rupees
Floating rate instruments		
Financial Liabilities		
Short term borrowings	323,075,541	302,372,786

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have Increased / (decreased) equity and profit or loss by Rs. 3,231 million (2014: Rs. 3,024). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2014.

b) Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:-

	2015 Rupees	2014 Rupees
Long term loans	7,129,250	5,511,500
Long term deposits	9,622,191	8,797,191
Trade debts	54,209,558	90,972,068
Advances, trade deposits and other receivables	157,585,440	167,593,315
Cash and bank balances	3,940,793	9,553,688

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks where the Company maintains its bank balances are as follows:-

Name of Bank	Rating Agency	Credit Rating	
		Short-term	Long-term
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	PACRA	A 1+	AA
Bank of Punjab	PACRA	A1+	AA-
Allied Bank Limited	PACRA	A1+	AA+

c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs.350 million worth short term borrowing limits available from financial institutions and Rs. Nil cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2015

	Carrying Amount Rupees	Contractual cash flows Rupees	Less than 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Trade and other payables	489,758,807	489,758,807	489,758,807	-	-
Accrued interest	8,078,474	8,078,474	8,078,474	-	-
Short term finances	323,075,541	359,615,385	359,615,385	-	-

Contractual maturities of financial liabilities as at June 30, 2014:

	Carrying Amount Rupees	Contractual cash flows Rupees	Less than 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Trade and other payables	360,415,179	360,415,179	360,415,179	-	-
Accrued interest	9,646,162	9,646,162	9,646,162	-	-
Short term finances	302,372,786	336,571,148	336,571,148	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest mark up have been disclosed in Note 9 to these financial statements.

34.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Note 35

Plant Capacity and Production

	2015	2014
Number of spindles installed	33,466	33,468
Number of shifts worked	1,056	1,089
Installed capacity in 20's count based on triple shift for 365 days (2014: 365) days (Kgs) - approximately	11,166,743	11,168,743
Actual production after conversion into 20's count (Kgs)	<u>10,697,390</u>	<u>10,942,831</u>

It is difficult to describe precisely the under utilization of production capacity in spinning since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, etc. It also varies according to the pattern of production adopted in particular year.

Note 36

Number of Employees

	2015	2014
Number of employees	1,031	1,033

Note 37

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level, and regulate its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

As on the balance sheet date, the gearing ratio of the Company was as under:

	2015	2014
	Rupees	Rupees
Total borrowings	646,921,038	643,519,513
Cash and bank balances	(3,940,793)	(9,553,688)
Net Debt	<u>642,980,245</u>	<u>633,965,825</u>
Equity	278,862,703	411,166,141
Total capital employed	<u>921,842,948</u>	<u>1,045,131,966</u>
Gearing Ratio	69.75%	60.66%

Note 38

Authorization of Financial Statements

These accounts have been authorized for issue by the Board of Directors of the Company on January 10, 2016.

Note 39

General

- Figures have been rounded off to the nearest Rupee and re-arranged for comparison where ever necessary.

KEY FINANCIAL DATA OF LAST SIX YEARS

(Rupees in '000)

	2015	2014	2013	2012	2011	2010
Sales	2,112,615	2,720,953	2,741,832	2,029,439	2,326,626	1,352,246
Gross Profit	34,805	228,754	331,149	160,989	151,036	164,210
Profit Before Taxation	(131,692)	62,443	137,765	55,893	42,423	79,600
Tax	(7,739)	(10,184)	(22,456)	(19,377)	35,501	(18,504)
Profit After Taxation	(139,431)	52,259	116,373	36,516	77,924	61,096
Total Assets	1,750,810	1,749,660	1,653,856	1,411,533	1,395,077	1,149,069
Current Liabilities	925,720	777,510	763,619	643,966	622,256	412,551
	825,090	972,150	890,237	767,567	772,821	736,518
Share Capital	200,000	200,000	200,000	400,000	400,000	400,000
Investment revaluation surplus	-	-	-	-	-	-
Accumulated (Loss)/Profit	78,863	211,166	199,007	(120,749)	(160,614)	(240,483)
Equity	278,863	411,166	399,007	279,251	239,386	159,517
Surplus on Revaluation of Fixed Assets	184,222	193,399	54,804	58,749	63,135	67,790
Deposit for Shares	-	-	-	-	-	-
Long Term Loans Leases	277,353	283,081	371,256	371,256	413,256	413,256
Finance Lease	-	-	-	-	-	-
Deferred Liability	84,652	84,504	65,170	58,311	57,044	95,955
	825,090	972,150	890,237	767,567	772,821	736,518

**Catagories of Shareholding required under Code of Coprorate Governance (CCG)
As on June 30, 2015**

Sr. No.	Name	No. of Shares Held	Percentage
---------	------	--------------------	------------

Associated Companies, Undertakings and Related Parties (Name Wise Detail):

Mutual Funds (Name Wise Detail)

1	ASIAN DEVELOPMENT EQUITY FUND	2,100	0.0053
2	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	754,008	1.8850

Directors and their Spouse and Minor Children (Name Wise Detail):

1	KHAWAJA MOHAMMAD JAVED	2,432,729	6.0818
2	KHAWAJA MOHAMMAD JAHANGIR PHINO	2,831,750	7.0794
3	KHAWAJA MOHAMMAD TANVEER	2,557,250	6.3931
4	KHAWAJA MOHAMMAD KALEEM	24,470,213	61.1755
5	KHAWAJA MOHAMMAD NADEEM	2,918,400	7.2960
6	KHAWAJA MOHAMMAD NAVEED	1,424,792	3.5620
7	MR. MUHAMMAD AMAN	365,300	0.9133
8	MR. MUHAMMAD TARIQ SIFI	500	0.0013
9	MRS. KAUSAR TASNEEM W/O KHAWAJA MOHAMMAD JAVED	400	0.0010
10	MRS. RUBINA KHANUM W/O KHAWAJA MOHAMMAD JAHANGIR	2,000	0.0050

Executives:

Public Sector Companies & Corporations:

Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	131,757	0.3294
--	---------	--------

Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)

S. No.	NAME	Holding	%Age
1	KHAWAJA MOHAMMAD KALEEM	24,470,213	61.1755
2	KHAWAJA MOHAMMAD JAVED	2,432,729	6.0818
3	KHAWAJA MOHAMMAD JAHANGIR PHINO	2,831,750	7.0794
4	KHAWAJA MOHAMMAD TANVEER	2,557,250	6.3931
5	KHAWAJA MOHAMMAD NADEEM	2,918,400	7.2960

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	NAME	SALE	PURCHASE
1	KHAWAJA MOHAMMAD JAWED (CDC)	111,500	-
2	KHAWAJA MOHAMMAD KALEEM (CDC)	136,200	-
3	MR. MUHAMMAD AMAN (CDC)	503,500	-

THE COMPANIES ORDINANCE, 1984 FORM-34
(Section 236(1) and 464)

1. Incorporation Number	L-01895
2. Name of Company	CHAKWAL SPINNING MILLS LTD.
3. Pattern of holding of the shares held by the shareholders as at	30-06-2015

4. NUMBER OF SHAREHOLDERS	FROM	SHAREHOLDING TO	TOTAL SHARES HELD
141	1	100	9,065
227	101	500	88,927
50	501	1,000	47,395
79	1,001	5,000	220,053
18	5,001	10,000	142,224
8	10,001	15,000	95,897
5	15,001	20,000	86,500
2	20,001	25,000	47,100
1	30,001	35,000	35,000
1	40,001	45,000	43,200
1	50,001	55,000	52,000
1	55,001	60,000	57,000
1	60,001	65,000	63,000
2	65,001	70,000	134,935
1	115,001	120,000	118,000
1	120,001	125,000	125,000
1	160,001	165,000	164,600
1	200,001	205,000	200,700
1	300,001	305,000	300,262
1	695,001	700,000	700,000
1	750,001	755,000	754,008
1	1,365,001	1,370,000	1,367,792
1	1,550,001	1,555,000	1,553,513
1	2,430,001	2,435,000	2,432,729
1	2,555,001	2,560,000	2,557,250
1	2,830,001	2,835,000	2,831,750
1	2,855,001	2,860,000	2,855,400
1	22,915,001	22,920,000	22,916,700
551			40,000,000

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	37,003,334	92.5063
5.2 Associated Companies, undertakings and related parties.	0	-
5.3 NIT and ICP	0	-
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	5,522	0.0138
5.5 Insurance Companies	54,300	0.1358
5.6 Modarabas and Mutual Funds	759,108	1.8978
5.7 Share holders holding 10% or more	24,470,213	61.1755
5.8 General Public	1,999,461	4.9987
5.9 Others (to be specified)		
1- Joint Stock Companies	35,721	0.0893
2- Investment Companies	12,000	0.0300
3- Foreign Companies	59,200	0.1480
4- Pension Funds	68,935	0.1723
5- Others	2,419	0.0060

6. Signature of
Company Secretary

7. Name of Signatory

8. Designation

Company Secretary

9. NIC Number

10. Date

30	06	2015
----	----	------

Form of Proxy - 28th Annual General Meeting

The Corporate Secretary
Chakwal Spinning Mills Limited
7/1 E-3 Main Boulevard Gulberg III, Lahore

Folio # / CDC A/C #.	
Participant I.D	
Account #	
Shares held	

I/We _____ of _____
being a member (s) of CHAKWAL SPINNING MILLS LIMITED hold _____ ordinary shares hereby appoint
Mr./Mrs./Miss _____ of _____ or
failing him/her _____ of _____ as my /our
Proxy to attend and vote for me/us and on my/our behalf at the 28th Annual General Meeting of the Company to
be held on Sunday, 31st January, 2016 at 11:00 a.m. at 31-F Main Market Gulberg II, Lahore and at every
adjournment thereof.

Signed this _____ day of _____ 2016.

1. Witness: _____
Signature: _____
Name: _____
Address: _____
CNIC: _____



2. Witness: _____
Signature: _____
Name: _____
Address: _____
CNIC: _____

Signature: _____

(Signature appended above should agree
with the specimen signatures registered
with the Company.)

IMPORTANT

1. This Form of proxy, duly completed and signed, must be received at the registered office of the company, at 7/1 E-3 Main Boulevard Gulberg III, Lahore Pakistan, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.