2013

Financial Statement of

Chenab Limited

For the year ended June 30

Chenab

LIMITED

Contants

Company Information

Chief Executive	Mian Muhammad Latif
Directors	Mian Muhammad Javaid Iqbal Mr. Muhammad Naeem Mr. Muhammad Faisal Latif Mr. Muhammad Farhan Latif Mr. Muhammad Zeeshan Latif Mst. Shahnaz Latif
Bankers/Financial Institutions (In Alphabetic Order)	Allied Bank Limited. Askari Bank Limited. AlBaraka Bank (Pakistan) Limited. (ABBL) Bank Alfalah Limited. Citibank, N.A. Faysal Bank Limited. First Credit & Investment Bank Limited First Punjab Modaraba. Habib Bank Limited. Habib Metropolitan Bank Limited. KASB Bank Limited. National Bank of Pakistan. NIB Bank Limited Orix Leasing (Pakistan) Limited. Pak Oman Investment Company Ltd. Pak Kuwait Investment Company (Pvt.) Ltd. Pak Libya Holding Company (Pvt.) Ltd. Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Ltd. SILK Bank Limited. Summit Bank Limited. The Bank of Punjab United Bank Limited. Standard Chartered Bank (Pakistan) Limited
Company Secretary/ Chief Financial Officer	Mr. Muhammad Arshad
Audit Committee	Mr. Muhammad Farhan Latif - Chairman Mr. Muhammad Zeeshan Latif Mst. Shahnaz Latif
Auditors	Avais Hyder Liaquat Nauman
Legal Advisor	Ch. Shahid Mehmood (Advocate)
Registered Office	Nishatabad, Faisalabad. Tel:041-8754472-8
E-mail Address	chenab@chenabgroup.com
Website Address	www.chenabgroup.com
Works	-Spinning Unit - Toba Tek Singh. -Weaving Unit - Kharianwala, Distt., Sheikhupura -Weaving Unit - Shahkot, Distt., Nankana Sahib -Processing & Stitching Units - Nishatabad, Faisalabad.

vision

To be a competitive and customer focused organization with continuing commitment to excellence and standards.

Mision Statement

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- -To be the business house of first choice for customers.
- -To be a change leader.
- -To produce innovative, relevant and cost effective products.
- -Setting and maintaining high standards.
- -To earn profits by achieving optimum level of production by using state of the art technologies.
- -To provide ideal working conditions to employees and to take care in their career planning and reward them according to their skill and responsibility.
- -To meet social and cultural obligations towards the society being a patriotic and conscientious corporate citizens.

Financial Highlights

	2012	2012	2011	2010	2009	2008
Operational performance						
						(Rupees'000)
Sales-net	2,171,725	2,606,632	4,374,335	8,857,796	9,091,378	8,506,911
Cost of sales	2,546,224	3,943,890	5,541,365	9,047,217	7,107,004	6,827,606
Gross (Loss) /profit	(374,499)	(1,337,258)	(1,167,030)	(189,421)	1,984,374	1,679,305
Operation (loss) / profit	(226,525)	(1,316,787)	(1,167,403)	(487,105)	1,472,588	1,117,616
Loss/Profit before taxtion	(488,509)	(1,672,947)	(2,857,923)	(1,931,558)	(13,730)	(15,294)
Loss/Profit after taxtion	(493,799)	(1,690,468)	(2,887,751)	(2,019,900)	(96,663)	(95,791)
Financial position						
Property,Plant and equipment	11,253,800	11,462,209	11,659,237	11,855,461	7,389,014	7,035,076
Capital work in progress	-	-	-	-	4,965	577,962
Long term deposits	12,637	8,805	8,851	19,736	20,988	22,224
Fixed capital expenditure	11,266,437	11,471,014	11,668,088	11,875,197	7,414,967	7,635,262
Total assets	15,045,669	15,495,014	17,204,093	19,397,627	16,941,257	16,287,102
Current asset						
Store,spare parts and stocks in trade	1,185,960	1,370,828	2,355,099	3,734,566	5,829,472	5,618,142
Other current assets	2,576,549	2,623,465	3,161,152	3,770,444	3,633,466	2,973,840
Cash and cash equivalents	16,723	29,707	19,754	17,420	63,352	59,858
Total	3,779,232	4,024,000	5,536,005	7,522,430	9,526,290	8,651,840
Current liabilities						
Short term bank borrowing	5,746,683	5,570,582	7,266,478	7,436,954	7,129,404	6,880,563
Currant portion of long term loans/morabaha	2,054,106	1,700,532	1,388,646	870,414	624,996	1,041,770
Other current liabilities	3,155,952	3,324,794	3,621,008	2,831,172	2,618,726	2,147,931
Total	10,956,741	10,595,908	12,276,132	11,138,540	10,373,126	10,070,264
Net working capital	(7,177,509)	(6,571,908)	(6,740,127)	(3,616,110)	(846,836)	(1,418,424)
Long term loans/Finance lease, morabaha	2,786,025	3,196,416	19,000,281	2,322,499	2,717,133	2,296,571
Shareholder's equity	(4,428,460)	(3,965,244)	(2,295,908)	564,947	2,493,877	2,589,955
Profiability analysis						
Gross profit to sale (%)	(17.24)	(51.30)	(26.68)	(2.14)	21.83	19.74
Loss/Profit befor tax to sales (%)	(22.49)	(64.18)	(65.33)	(21.81)	(0.15)	(0.18)
Loss/Profit after tax to sales (%)	(22.74)	(64.85)	(66.02)	(22.80)	(1.06)	(1.13)
Return on Investment (%)	(3.28)	(10.91)	(16.79)	(10.41)	(0.57)	(0.59)
Return on equity (%)	11.15	42.63	125.78	(357.54)	(3.88)	(3.70)
Earnings per share(Rupees)	(0.83)	(0.83)	(0.83)	(0.83)	(0.83)	(0.83)
Financial analysis						
Current ratio(time)	0.34	0.38	0.45	0.68	0.92	0.86
Debt to equity (time)	(1.09)	(1.23)	(1.43)	5.65	1.34	1.29
Total Debt to Total Assets	0.32	0.32	0.19	0.16	0.20	0.20
Total Debt to Fixed Assets	0.43	0.43	0.28	0.27	0.45	0.44

Notice Of Annual General Meeting

Notice is hereby given that 29th Annual General Meeting of the shareholders of the Company will be held at 11.00 A.M. on Thursday the 31st October, 2013 at the Registered office of the Company at Nishatabad, Faisalabad to transact the following business:-

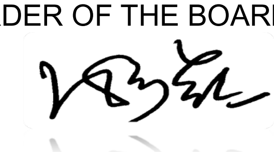
1 To confirm the minutes of the last meeting.

2 To consider and approve the Annual Audited Financial Statements of the Company for the year ended June 30, 2013 together with Directors and Auditors Reports thereon.

3 To appoint Auditors for the next financial year 2013-2014 and to fix their remuneration. The Retiring Auditors, M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, Faisalabad being eligible, offer themselves for re-appointment.

4 To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD



FAISALABAD
OCTOBER 10, 2013

(MUHAMMAD ARSHAD)
COMPANY SECRETARY

NOTES:

1 The Share Transfer Books of Ordinary/Preference Shares of the Company will remain closed from October 24, 2013 to October 31, 2013 (both days inclusive). Transfers received in order by Company's Registrar, M/s. Consulting One (Pvt.) Ltd, 478-D, Peoples Colony, Faisalabad upto close of business hours on October 23, 2013 will be considered in time.

2 A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting. A proxy must be a member of the company.

3 Shareholders whose shares are deposited with Central Depository Company (CDC), or their Proxies are requested to bring their original National Identity Cards (CNICs) or Passports alongwith the Participants ID numbers and their account numbers at the time of attending the Annual General Meeting for verification.

4 All other members should bring their Original National Identity Cards for identification purpose.

5 The shareholders are requested to notify the company immediately the change in their address, if any.

The directors take this opportunity to present before you report and audited accounts of the company for the year ended June 30, 2013.

SALES REVENUE

Sales revenue of Rs.2.172 billion has been earned during the year as compared to Rs.2.607 billion achieved during the preceding year.

FINANCIAL RESULTS AND REASONS FOR LOSS

This year too, the company has sustained financial loss to the tune of Rs.493.799 million in the continuing adverse circumstances tracing to the chronic energy crisis badly affecting production and quality.

In view of recurring losses, the working capital resources of the company have dwindled and we could not execute available export orders due to continuing paucity of funds.

However, the financial results for the year ended June 30, 2013 with comparative figures are as under:-

	2013 (Rupees)	2012 (Rupees)
Sales	2,171,725,362	2,606,632,152
Cost of sales	(2,546,223,527)	(3,943,889,711)
Gross (loss)	(374,498,165)	(1,337,257,559)
Other operating income	147,973,103	20,470,159
	(226,525,062)	(1,316,787,400)
Selling and distribution expenses	(29,319,782)	(29,857,840)
Administrative expenses	(126,961,704)	(149,021,467)
Finance cost	(105,702,543)	(177,280,478)
	(261,984,029)	356,159,785
(Loss) before taxation	(488,509,091)	(1,672,947,185)
Provision for taxation	(5,289,679)	(17,520,405)
(Loss) for the year	(493,798,770)	(1,690,467,590)
(Loss) per share – Basic diluted	(4.29)	(14.70)

DIVIDEND ON PREFERENCE SHARES

The payment of dividend on non voting cumulative preference shares, in view of financial losses, has been deferred till the availability of profits for appropriation.

NON PAYMENT OF DEBT OBLIGATIONS

Due to continuous financial losses sustained by the company, it could not pay debt obligations to its financial creditors in accordance with terms of certain loan agreements subsequently certain banks and financial institutions have filed cases for recovery and winding up proceedings against the company.

FUTURE PROSPECTS

Presently, demand for Pakistani textile products has emerged in the international market yet in view of grant of GSP plus status by European Union to Pakistani exporters commencing from January, 2014, this demand shall increase tremendously yet this opportunity can be availed only if the Government of Pakistan provides a comprehensive package for the revival of value added textile industry alongwith interruption free supply of electricity/gas coupled with help from financial institutions in providing additional working capital and restructuring financial facilities on economical rate of mark up.

AUDITORS' OBSERVATIONS

ON GOING CONCERN ASSESSMENT

(i) Since the company on account of financial losses has not been able to comply with terms of certain loan arrangements with banks and financial institutions who have filed cases for recovery and winding up proceedings against the company which the management of the company is defending apart from approaching them for amicable decision.

(ii) Similarly, the company has not been able to redeem preference shares of the company on exercise of put option for two consecutive years by the holders of preference shares due to continuous financial losses. One of the investors has moved an application before SECP under Section 474 of Companies Ordinance, 1984 which was not accepted. However, the Appellate Bench of SECP remanded back this decision under certain directives and the matter is under consideration before SECP. The matter for issue of ordinary shares against second default shall be taken in hand after the resolution of dispute of first default.

(iii) The management efforts to regain export market could not materialize due to shortage of working capital and delay in settlement with banks. The management is however in the process of securing financial assistance under cover of compromise arrangements or otherwise from the company bankers to improve tight liquidity position and hopeful for favourable results.

(iv) The management is also actively following up the recovery of past due trade debts and is fully confident that keeping in view the past history of the customers, all past due trade debts will be recovered in full.

(v) On the operational side, the management continued toll manufacturing and making efforts to increase the volume of business. Compelled by the lingering crises, the management has also decided to make necessary adjustments in machinery to use coal based boilers and oil heaters as an alternate source of energy. The capacity utilization through alternate energy will be increased to 70% in due course to overcome the core issue of under utilization of its production facility which the company is experiencing from the last many years.

In view of the above, the management is confident that it will be successful in its efforts and company will be able to continue as a going concern.

CORPORATE SOCIAL RESPONSIBILITY

Your company fully understands its corporate responsibility towards the society and fulfills it by providing financial support to its deserving employees, contributing considerable amount to the national exchequer, applying solution for energy conservation and environment protection.

The company has provided healthy safe and learning working environment to its employees and encourages attendance in the training courses, seminars, workshops and conferences both within country and abroad. The company lends regular support to the special persons by providing them jobs best suited to them. It also offers apprenticeship to fresh graduates in all the relevant departments on regular basis to elevate their professional and technical skills.

Your company has also installed environment friendly gas based four power plants at all operational units with a view to reduce power cost and has also installed first waste water treatment plant in the city resulting in energy conservation and improvement in the environment.

PATTERN OF SHARHEOLDING

The pattern of shareholding as at June 30, 2013 including the information under the code of corporate governance for ordinary and non voting cumulative preference shares are annexed.

BOARD OF DIRECTORS

There being no change in the directorship of the company, the number of directors remains the same as per the last annual general meeting of the shareholders of the company. All the retiring directors were elected for next term of three years commencing from September 18, 2013.

BOARD MEETINGS

During the year under review four board meetings were held. Attendance by each director is appended below:-

S.NO.	NAME OF DIRECTOR	NO OF MEETINGS ATTENDED
1	Mian Muhammad Latif	4
2	Mian Muhammad Javaid Iqbal	4
3	Mr. Muhammad Naeem	4
4	Mr. Muhammad Faisal Latif	4
5	Mr. Muhammad Farhan Latif	4
6	Mr. Muhammad Zeeshan Latif	4
7	Mst. Shahnaz Latif	4

AUDIT COMMITTEE

The board of directors in compliance to the code of corporate governance has constituted an audit committee consequent upon re-election of directors as below:-

(1)	Muhammad Farhan Latif.	-	Chairman	(Non Executive)
(2)	Muhammad Zeeshan Latif.	-	Member	(Non Executive)
(3)	Mst. Shahnaz Latif.	-	Member	(Non Executive)

The meetings of the audit committee were held atleast once every quarter prior to approval of interim and final results of the company. The meetings were also attended by the CFO, Head of Internal Audit and External Auditors as and when it was required.

CODE OF CORPORATE GOVERNANCE

As required by the Code of Corporate Governance, directors are pleased to report that:-

(i) The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

(ii) Proper books of accounts of the company have been maintained.

(iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.

(iv) International Accounting/Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements.

(v) The system of internal control is sound and has been effectively implemented and monitored.

(vi) Going concern issue is separately explained.

(vii) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the Karachi Stock Exchange.

(viii) Key operating and financial data for the last six years is annexed.

(ix) Reasons for not declaring dividend are disclosed.

(x) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2013 except for those disclosed in the financial statements.

(xi) No material changes and commitments affecting the financial position of your company have occurred between the end of the financial year to which this balance sheet relates and the date of the Directors' Report.

AUDITORS

The External Auditors, M/s. Avais Haider Liaquat Nauman, Chartered Accountants, Faisalabad retire and being eligible offers themselves for re-appointment. The Audit Committee and the Board has also recommended their re-appointment as External Auditors of the Company for the next financial year 2013-2014.

ACKNOWLEDGEMENT

The board of directors places on record its appreciation for the support of the shareholders, government agencies, financial institutions and customers.

The board would also like to express their appreciation for the services and dedicated efforts being continuously rendered by all the employees of the company and hope that they will continue with these efforts in future also.

For and on behalf of
BOARD OF DIRECTORS

FAISALABAD
October 10, 2013

(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE

For the year ended June 30, 2013

This statement is being presented in compliance with the Code of Corporate Governance (the CCG) contained in the Listing Regulations of the Karachi Stock Exchange for the purpose of establishing a framework whereby a listed company is managed with best practices for good Corporate Governance:-

The Board has applied the principles required by CCG in the following manner:-

1. The Company encourages representation of independent Non-executive Directors and the Directors representing minority interests on the Board of the Company. However, at present, the Board includes:

Category	Names
Independent Directors	-
Executive Directors	Mian Muhammad Latif Mian Muhammad Javaid Iqbal Muhammad Naeem
Non-Executive Directors	Muhammad Faisal Latif Muhammad Farhan Latif Muhammad Zeeshan Latif Mst. Shahnaz Latif

The condition of clause i (b) of the CCG in relation to independent director will be complied after clearance from major creditors of the Company.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.

3. All the Directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI.

4. No casual vacancy occurred in the Board during the year under review.

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 conditions of employment of the CEO and other Executive Directors, have been approved by the Board.

8. The meetings of the Board of directors were presided over by the Chairman and 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 7 days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The Company Secretary and CFO attended the meetings of the Board of Directors.

9. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with the amendments in the corporate and other laws, if any. Five out of seven directors are exempt from the directors’ training program and remaining two directors take training before the June 30 2016.

11. The Directors' 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 by 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 non-executive Directors. The condition of clause xxiv of the CCG in relation to independent director will be complied after clearance from major creditors of the Company.

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 as required by the CCG. The terms of reference of the Committee have been defined and communicated to the Committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three Non-Executive Directors.

18. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, 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 the Institute of Chartered Accountants of Pakistan.

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 related party transactions have been placed before the Audit Committee and approved by the Board of Directors. The transactions were made on terms equivalent to those that prevail in arm's length transactions.

22. 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 are determined and intimated to directors, employees and Karachi Stock Exchange.

23. Material / price sensitive information has been disseminated among all market participants at once through the Karachi Stock Exchange.

24. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of
Board of Directors

(Mian Muhammad Latif)
Chief Executive Office

Review Report To The Members On Statement Of compliance With Best Practices of The Code Of Coprporte Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of Chenab Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange, 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 under standing 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 effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub- Regulation (x) of Listing Regulations No. 35 of the Karachi Stock Exchange requires the Company to place before the Board of Directors for their consideration and approval of 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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.

(a) The elections of the directors were held on September 18, 2013. The new Board do not have an independent director as provided in clause i (b) of the CCG. Consequently, the provisions of clause (xxiv) to appoint an independent director as Chairman of Audit Committee have not been complied.

(b) As per clause (xi) of the Code, it is mandatory for all the directors of the company (excluding the directors who are exempt under the Code) to have certification under any director's training program. A minumum of one director is required to acquire the said certification every year from June 30, 2012 to June 30, 2016. No director of the company has acquired the said certification during the year.

Based on our review, with the exception of the matters described in the preceding paragraph (a) and (b), 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 as applicable to the company for the year ended June 30, 2013.

We have also expressed an adverse opinion in our audit report to the financial statements for the year ended June 30, 2013.

Dated: October 10, 2013
Place: Faisalabad

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

30, 2013 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.

Except for the matter discussed in paragraph (c) below, 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) As described in Note 1.3 to the financial statements, the financial statements have been prepared on going concern basis. The Company incurred a net loss of Rs. 493.80 million for the year ended June 30, 2013. As at June 30, 2013 its accumulated loss is Rs. 6,981.30 million, shareholders' equity is negative by Rs. 4,428.46 million and the Company's current liabilities exceed its current assets by Rs. 7,177.51 million. The Company is facing operational and financial problems. There is no sufficient appropriate audit evidence that the management's plans are feasible and ultimate outcome will improve the Company's current situation. In our opinion, the going concern assumption used in the preparation of these financial statements is inappropriate, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

(b) The Company is not providing for markup since July 2011 in respect of certain long term financing and short term borrowings in view of its requests to the respective lenders to convert all outstanding liabilities into non serviceable loans / loans subject to reduced rate of markup (Refer Note 14 and 30.1 to the financial statements). Had the markup been provided, loss for the year would have been increased by Rs. 619.59 million (2012: by Rs. 704.81 million) and negative equity and interest / markup payable would have been increased by Rs. 1,324.40 million (2012: by Rs. 704.81 million).

(c) Trade debts of Rs. 2,223.33 million are past due. In our opinion, these past due trade debts are impaired but no provision in respect of doubtful debts has been made in the financial statements. We are unable to determine the quantum of provision with reasonable accuracy and, therefore, its impact on results for the year and equity could not be quantified.

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

(e) in our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have not been drawn up in conformity with the Companies Ordinance, 1984. The balance sheet and profit and loss account 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;

(f) in our opinion, because of the significance of the matters discussed in paragraph (a) to (c) above, 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 do not conform with approved accounting standards as applicable in Pakistan and do not give the information required by the Companies Ordinance, 1984 in the manner so required and do not give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and

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

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:- Hamid Masood

Dated**:** October 10, 2013
Place: Faisalabad

Balance Sheet

As At June 30, 2013

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
120,000,000 ordinary shares of Rs.10/- each		1,200,000,000	1,200,000,000
80,000,000 cumulative preference shares of Rs.10/- each		800,000,000	800,000,000
Issued, subscribed and paid up capital	3	1,150,000,000	1,150,000,000
Cumulative preference shares	4	800,000,000	800,000,000
Capital reserves	5	526,409,752	526,409,752
Revenue reserves	6	(6,904,869,688)	(6,441,653,691)
		(4,428,459,936)	(3,965,243,939)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	5,122,524,353	5,153,107,126
NON-CURRENT LIABILITIES			
Long term financing	8	2,758,868,705	3,166,138,804
Liabilities against assets subject to finance lease	9	27,156,234	30,276,637
Deferred liabilities	10	608,839,312	514,827,222
		3,394,864,251	3,711,242,663
CURRENT LIABILITIES			
Trade and other payables	11	1,842,055,311	1,995,944,596
Interest / markup payable	12	1,302,358,402	1,297,629,472
Short term bank borrowings	13	5,746,682,704	5,570,582,119
Current portion of :			
Long term financing	8	2,054,105,760	1,700,531,661
Liabilities against assets subject to finance lease	9	8,305,654	15,766,430
Provision for taxation - income tax		3,232,808	15,453,941
		10,956,740,639	10,595,908,219
CONTINGENCIES	14	-	-
		15,045,669,307	15,495,014,069

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

MUHAMMAD NAEEM
(DIRECTOR)

	Note	2013 Rupees	2012 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	11,253,800,473	11,462,208,946
Long term deposits	16	12,636,768	8,804,768
		11,266,437,241	11,471,013,714
CURRENT ASSETS			
Stores, spares and loose tools	17	559,754,221	721,292,591
Stock in trade	18	626,205,881	649,535,086
Trade debts	19	2,386,524,814	2,332,100,620
Loans and advances	20	50,200,309	107,053,722
Deposits and prepayments	21	12,756,851	15,348,291
Other receivables	22	43,246,866	86,495,714
Tax refunds due from Government	23	83,819,812	82,467,426
Cash and bank balances	24	16,723,312	29,706,905
		3,779,232,066	4,024,000,355
		15,045,669,307	15,495,014,069

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Profit And Loss Account

For The Year Ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales	25	2,171,725,362	2,606,632,152
Cost of sales	26	(2,546,223,527)	(3,943,889,711)
Gross (loss)		(374,498,165)	(1,337,257,559)
Other operating income	27	147,973,103	20,470,159
		(226,525,062)	(1,316,787,400)
Selling and distribution expenses	28	(29,319,782)	(29,857,840)
Administrative expenses	29	(126,961,704)	(149,021,467)
Finance cost	30	(105,702,543)	(177,280,478)
		(261,984,029)	(356,159,785)
(Loss) before taxation		(488,509,091)	(1,672,947,185)
Provision for taxation	31	(5,289,679)	(17,520,405)
(Loss) for the year		(493,798,770)	(1,690,467,590)
(Loss) per share- Basic and diluted	32	(4.29)	(14.70)

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Statement Of Comprehensive Income
For The Year Ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
(Loss) for the year		(493,798,770)	(1,690,467,590)
Other comprehensive income for the year			
Items that will not be subsequently reclassified to profit or loss:			
Incremental depreciation on revalued assets for the year	7	30,582,773	21,131,700
Total comprehensive (loss) for the year		(463,215,997)	(1,669,335,890)

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Cash Flow Statement
For The Year Ended June 30, 2013

	2013 Rupees	2012 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(488,509,091)	(1,672,947,185)
Adjustments for:		
Depreciation on property, plant and equipment	218,832,051	214,738,465
Provision for staff retirement gratuity	24,395,469	34,118,924
(Gain) on disposal of property, plant and equipment	(3,524,798)	(201,802)
Finance cost	105,702,543	177,280,478
Balances written back - net	(137,397,193)	(16,939,650)
Operating cash flows before working capital changes	(280,501,019)	(1,263,950,770)
Changes in working capital		
Decrease / (increase) in current assets		
Stores, spares and loose tools	161,538,370	387,176,516
Stock in trade	23,329,205	597,094,727
Trade debts	(54,424,194)	469,935,784
Loans and advances	44,308,317	(27,192,551)
Deposits and prepayments	2,591,440	1,799,726
Other receivables	43,248,848	20,814,954
Tax refunds due from Government	2,615,478	54,858,330
	223,207,464	1,504,487,486
(Decrease) in current liabilities		
Trade and other payables	(42,468,097)	(64,775,537)
	180,739,367	1,439,711,949
Cash (used in) / generated from operations	(99,761,652)	175,761,179
Income tax paid	(8,933,580)	(22,894,968)
Finance cost paid	(14,036,970)	(23,371,780)
Staff retirement gratuity paid	(1,648,938)	(15,361,619)
Net cash (used in) / generated from operating activities	(124,381,140)	114,132,812
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(24,907,685)	(20,074,949)
Proceeds from disposal of property, plant and equipment	508,905	2,566,062
Long term deposits	(3,832,000)	-
Net cash (used in) investing activities	(28,230,780)	(17,508,887)

	2013 Rupees	2012 Rupees
c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of:		
Long term financing	(36,196,000)	(69,958,973)
Liabilities against assets subject to finance lease	(276,258)	(2,732,663)
Increase / (decrease) in short term bank borrowings - net	176,100,585	(13,979,205)
Net cash generator from / (used in) financing activities	139,628,327	(86,670,841)
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(12,983,593)	9,953,084
Cash and cash equivalents at the beginning of the year	29,706,905	19,753,821
Cash and cash equivalents at the end of the year	16,723,312	29,706,905

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Statement Of Changes In Equity

For The Year Ended June 30, 2013

			Capital reserves				Revenue reserves		
	Issued, subscribed and paid up capital	Cumulative preference shares	Premium on issue of ordinary shares	Book difference of capital under scheme of arrangement for amalgamation	Preference shares redemption reserve	Sub total	General reserve	Accumulated loss	Total
	Rupees								
Balance as at July 01, 2011	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(4,848,750,635)	(2,295,908,049)
Total comprehensive (loss) for the year									
(Loss) for the year	-	-	-	-	-	-	-	(1,690,467,590)	(1,690,467,590)
Other comprehensive income									
Items that will not be subsequently reclassified to profit or loss:									
Incremental depreciation on revalued assets for the year	-	-	-	-	-	-	-	21,131,700	21,131,700
	-	-	-	-	-	-	-	(1,669,335,890)	(1,669,335,890)
Balance as at June 30, 2012	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(6,518,086,525)	(3,965,243,939)
Total comprehensive (loss) for the year									
(Loss) for the year	-	-	-	-	-	-	-	(493,798,770)	(493,798,770)
Other comprehensive income									
Items that will not be subsequently reclassified to profit or loss:									
Incremental depreciation on revalued assets for the year	-	-	-	-	-	-	-	30,582,773	30,582,773
	-	-	-	-	-	-	-	(463,215,997)	(463,215,997)
Balance as at June 30, 2013	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(6,981,302,522)	(4,428,459,936)

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

MUHAMMAD NAEEM
(DIRECTOR)

MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

Notes To The Financial Statements
For The Year Ended June 30, 2013

1. STATUS AND ACTIVITIES

1.1 Chenab Limited (the Company) is incorporated as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the Company is situated at Nishatabad, Faisalabad. The principal business of the Company is export of all kinds of value added fabrics, textile made-ups, casual and fashion garments duly processed. The cloth processing unit is located at Nishatabad, District Faisalabad, and stitching units are located at Nishatabad, District Faisalabad and Shorkot Road, District Toba Tek Singh. Weaving units are located at Sheikhupura Road, Khurrianwala, District Faisalabad, Jhumra Road, Gatti, District Faisalabad, Sheikhupura Road, Kharrianwala, District Sheikhupura and Shahkot, District Nankana Sahib. Spinning unit is located at Shorkot Road, District Toba Tek Singh, in the province of Punjab.

1.2 Pursuant to schemes of arrangement approved by the Honourable Lahore High Court, Lahore, assets, liabilities and reserves of Faisal Weaving (Private) Limited, Latif Weaving (Private) Limited and Chenab Finishing (Private) Limited were merged with the Company with effect from December 31, 1998 and assets, liabilities and reserves of Chenab Fibres Limited were merged with the Company with effect from April 01, 2003.

1.3 The Company has incurred operating losses of Rs. 493.80 million. As at June 30, 2013 the accumulated loss of the Company is Rs. 6,981.30 million and the current liabilities exceed its current assets by Rs. 7,177.51 million. The Company has not redeemed preference shares on exercise of put options for two consecutive years by holders of preference shares due to tight cash flow situation. The Company has not been able to comply with terms of certain loan agreements. Certain banks and financial institutions have filed cases for recovery and winding up of the Company which the management is defending. The litigation has also adversely affected the process of negotiations with banks for extension and re-scheduling of credit facilities.

Management's efforts for making re-scheduling arrangements with lenders are not so far fully materialised, however the management has been able to reach at agreement with some lenders to partly settle the lease liability and obtain financial limits for exports and is hopeful that the arrangements with others will also materialise in due course.

On the operational side, the management continued toll manufacturing and making efforts to increase the volume of business. The management has also decided to make necessary adjustments in machinery to use coal based boilers and oil heaters as an alternate source of energy. The capacity utilization through alternate energy will be increased to 70% in due course to overcome the core issue of under utilisation of its production facilities which the Company is experiencing from the last many years, but unfortunately due to non-availability of working capital facilities and continued load management by the utility suppliers, the desired results could not be achieved and the core issue of higher operating cost due to lower production could not be resolved. The management's effort to regain export market could not materialise due to shortage of working capital and delay in settlements with banks. The management is negotiating with banks for working capital facilities and successful settlements of overdue loans and hopeful of favourable results. The management is confident that the Company will be able to continue as a going concern.

1.4 These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and directives issued by the Securities and Exchange Commission of Pakistan, and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) / International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Standards, amendments to standards and interpretations becoming effective in current

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2012 and therefore, have been applied in preparing these financial statements:

- IAS 1 "Presentation of Financial Statements". The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss' whose use is not mandatory. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The Company is continuing use of existing terminology. The presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit and loss, other comprehensive income and total comprehensive income.

- IFRS 7 "Financial Instruments Disclosures". The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments do not have any material impact on the Company's financial statements.

- IAS – 12 "Income Taxes". The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. These amendments do not have any material impact on the Company's financial statements.

2.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2012 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

2.2.3 Standards, amendments to standards and interpretations becoming effective in future

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates:

- IFRS 7 (Amendments) "Financial Instruments Disclosures" on offsetting financial assets and financial liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for accounting periods of the Company beginning on or after July 01, 2013. The Company does not have any offsetting arrangements in place. The amendments will have no material impact on the disclosures.

- IFRS 9 "Financial Instruments". IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for the accounting periods beginning on or after July 01, 2015. IFRS 9 contains a number of transitional provisions.

  The standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt instruments must be measured at fair value through profit or loss. All equity investments within the scope of IAS 39 are to be measured in the statement of financial position at fair value, with the gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at fair value through other comprehensive income, with only dividend income generally recognised in profit or loss. The standard requires that changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of that liability, presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

  The IASB has issued exposure drafts to propose new category of debt instruments, more forward looking impairment model and new hedge accounting.

  It is not practicable to provide a reasonable estimate of impact until a final standard is issued and detailed review has been completed.

- A package of five standards on consolidation, Joint arrangements, associates and disclosures was issued comprising IFRS, 10, 11, 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

  Subsequent to the issue of these standards, amendments to IFRS 10,11 and 12 were issued to clarify certain transitional guidance on the first time application of the standards. The standards are effective for accounting periods of the Company beginning on or after July 01, 2013.

  The impact of these standards is set out below:

- IFRS 10 "Consolidated Financial Statements". replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. A more robust definition of control has been developed in IFRS 10 in order to capture unintentional weaknesses of the definition of control set out in the previous version of IAS 27. A new definition of control contains three elements: a) power ever an investee, b) exposure or rights to variable returns from its involvement with the investee and c) ability to use its power over the investee to affect the amount of the investor,s returns. The standard adds application guidance to assist in assessing whether an investor controls an investee in complex scenarios. The application of the standard is not expected to have any material impact on the Company's financial statements.

- IFRS 11 “Joint Arrangements”. replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

  IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Joint ventures have rights to the net assets of the arrangement. Equity method of accounting is used and proportionate consolidation is not allowed. Joint operators have rights to the assets and obligations of the arrangement. Each joint operator recognizes its share of the assets, liabilities, revenues and expenses. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

  The application of the standard is not expected to have any material impact on the Company's financial statements.

- IFRS 12 “Disclosures of interest in other entities”. This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

  IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The application of the standard may result in additional disclosures.

- IAS 27 (as revised in 2011) separate financial statements. The revised standard sets out the requirements regarding separate financial statements only. Requirements of consolidated financial statements are covered in IFRS-10. The application of the standard is not expected to have any material impact on the Company's financial statements.

- IAS 28 (as Revised in 2011) “Associates and joint Ventures”. The revised standard deals with how to apply the equity method of accounting for investment in joint ventures, as well as associates, following the issue of IFRS 11 which requires investments in Joint ventures to be accounted for using the equity method of accounting. The application of the standard is not expected to have any material impact on the Company's financial statements.

- IFRS 13 “Fair Value Measurement” establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value for financial reporting purposes, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of IFRS 13 may result in changes in how entities determine fair values for financial reporting purposes. IFRS 13 requires extensive disclosures about fair value measurements. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures are extended by IFRS 13 to cover all assets and liabilities within its scope. The standard is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the standard may result in more extensive disclosures in financial statements.

- IAS 19 “Employee Benefits”. The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Net interest: recognised in profit or loss and calculated by applying the discount rate at the beginning of each reporting period to the net defined benefit liability or asset at the beginning of that reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. The amendments are effective for accounting periods of the Company beginning on or after July 01, 2013.The amendments to IAS-19 require retrospective application. Based on the preliminary assessment, the application of the amendments will not have material impact on the retained earnings of the Company due to recognition of current cumulative un-recognised actuarial losses next year.

- IAS 32 (Amendment) “Financial Instruments: Presentation”. This amendment updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2014. The application of the amendment is not expected to have any material impact on the Company’s financial statements.

2.2.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company’s operations, therefore, not disclosed in these financial statements.

2.3 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except: -

- certain property, plant and equipment carried at valuation; and
- staff retirement gratuity carried at present value.

The principal accounting policies adopted are set out below:

2.4 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Asset held under finance lease is recognised as asset of the Company at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liability against asset subject to finance lease. The liability is classified as current and non current depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liability against asset subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

2.5 Staff retirement benefits

The Company operates a defined benefit plan - unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. Cumulative unrecognised net actuarial gains and losses that exceed ten percent of present value of defined benefit obligation are amortised over the expected average remaining working lives of participating employees.

The amount recognised in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

2.6 Trade and other payables

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

2.7 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.8 Provision for taxation

Current

Provision for current taxation is based on income taxable at the current tax rates after taking into account tax rebates and tax credits available under the law.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

2.9 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

2.10 Property, plant and equipment

Property, plant and equipment except freehold land and capital work in progress are stated at cost / revaluation less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work in progress is valued at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note, except plant and machinery and electric installations. Plant and machinery is depreciated applying the unit of production method subject to minimum charge of Rs. 100 million to cover obsolescence and electric installations are depreciated applying the straight line method over their economic serviceable life taken at 25 years.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition or capitalisation and up to the month preceding the month of disposal respectively.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items of property, plant and equipment.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains or losses on disposal of property, plant and equipment are included in current income.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent of reversal of deficit previously charged to income, in which case that portion of the surplus is recognised in income. Deficit on revaluation of an item of property, plant and equipment is charged to surplus on revaluation of that asset to the extent of surplus and any excess deficit is charged to income. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets and surplus realised on disposal of revalued asset is transferred to unappropriated profit / (accumulated loss) through statement of comprehensive income.

Assets subject to finance lease

In view of certainty of ownership of the assets at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation. These assets are depreciated over their expected useful lives on the same basis as owned assets except building under lease which is depreciated on straight line basis over its lease term of 61 years.

2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss account in the period in which these are incurred.

2.12 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.13 Stores, spares and loose tools

These are valued at moving average cost less allowances for obsolete or slow moving items, if any. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

2.14 Stock in trade

Stock in trade except wastes are valued at lower of cost and net realisable value. Cost is determined as

Raw material	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost to make the sales. Average manufacturing cost consists of direct materials, labour and a proportion of manufacturing overheads.

2.15 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

2.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

2.17 Foreign currency translation

Transactions in currencies other than Pak Rupee are recorded at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the dates of transactions.

2.18 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.19 Offsetting of financial asset and financial liability

A financial asset and a financial liability is off-set and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales are recorded on dispatch of goods.

2.21 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

2.22 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory and staff retirement gratuity. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3. Issued, subscribed and paid up capital

2013	2012		2013	2012
Number of shares			Rupees	Rupees
35,985,702	35,985,702	Ordinary shares of Rs. 10/- each fully paid in cash.	359,857,020	359,857,020
73,869,559	73,869,559	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares.	738,695,590	738,695,590
5,144,739	5,144,739	Ordinary shares of Rs. 10/- each issued as fully paid under scheme of arrangement for amalgamation.	51,447,390	51,447,390
115,000,000	115,000,000		1,150,000,000	1,150,000,000

4. Cumulative preference shares

2013	2012		2013	2012
Number of shares			Rupees	Rupees
80,000,000	80,000,000	Cumulative preference shares of Rs. 10/- each fully paid in cash.	800,000,000	800,000,000

4.1 The preference shares are non-voting, cumulative and redeemable. These are listed on Karachi Stock Exchange. The holders are entitled to cumulative preferential dividend at 9.25% per annum on the paid up value of preference shares. In case profits in any year are insufficient to pay preferential dividend, the dividend will be accumulated and payable in next year.

4.2 In case the Company fails to redeem cumulative preference shares upon exercise of put options by the holders for any two consecutive years, the holders were entitled to convert the cumulative preference shares into ordinary shares at a price equal to lower of:

a) 75% of market value of shares or

b) 75% of book value (break up value) or

c) face value of shares

The date to exercise put option has been expired on September 25, 2010.

4.3 The holders of 55,080,498 cumulative preference shares called upon to convert preference shares into ordinary shares due to non-redemption of their holding on exercise of put options for two consecutive years. The Company proposed to issue new ordinary shares to preference shareholders holding 49,984,998 cumulative preference shares who have called upon to convert their shares, as per conversion formula laid down in the Prospectus (Refer above 4.2) and Articles of Association of the Company. In view of the reservations, one of the investors filed application under Section 474 of the Companies Ordinance, 1984 before the Securities and Exchange Commission of Pakistan (SECP) which was not entertained by SECP being out of domain of Companies Ordinance, 1984. On appeal, the Appellant Bench of SECP remanded the matter for reconsideration in the light of certain observations of Appellant Bench. The matter of conversion of balance of 5,095,500 cumulative preference shares is also pending till the resolution of matter with the investors who have first exercised the put options.

4.4 The cumulative preference shares have been classified as part of equity capital in accordance with the terms and conditions of issue, taking into consideration the classification of share capital as indicated in the various provisions of the Companies Ordinance, 1984. Further the contradictions between classification of share capital in the various provisions of the Companies Ordinance, 1984 and International Accounting Standards is pending for clarification before the Securities and Exchange Commission of Pakistan.

5. Capital reserves

	Note	2013 Rupees	2012 Rupees
Premium on issue of ordinary shares		120,000,000	120,000,000
Merger reserve	5.1	63,552,610	63,552,610
Preference shares redemption reserve	5.2	342,857,142	342,857,142
		526,409,752	526,409,752

5.1 It represents book difference of capital under schemes of arrangement for amalgamation.

5.2 It was created as per directive of State Bank of Pakistan and transferable into accumulated loss in due course as the dates of exercising put options for redemption have already been expired.

6. Revenue reserves

	2013 Rupees	2012 Rupees
General reserve	76,432,834	76,432,834
(Accumulated loss)		
Opening balance	(6,518,086,525)	(4,848,750,635)
Total comprehensive loss for the year	(463,215,997)	(1,669,335,890)
	(6,981,302,522)	(6,518,086,525)
	(6,904,869,688)	(6,441,653,691)

	2013 Rupees	2012 Rupees

7. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2013 Rupees	2012 Rupees
Opening balance	5,153,107,126	5,156,590,479
Incremental depreciation on revalued assets for the year	(30,582,773)	(21,131,700)
Reversal of deferred tax on surplus	-	17,648,347
	5,122,524,353	5,153,107,126

7.1 Latest revaluation of freehold land, building on freehold land, plant and machinery, electric installations and generators was carried out by independent valuer M/S Consultancy Support & Services as at December 31, 2009. Revaluation of freehold land was carried out on market value basis and revaluation of all other assets was carried out on depreciated replacement cost basis.

8. Long term financing

	Note	2013 Rupees	2012 Rupees
Secured			
Under mark up arrangements			
From banking companies			
Fixed assets finance	8.1	239,227,233	239,227,233
Demand finances	8.1	1,667,320,000	1,698,000,000
Term finances	8.1	1,678,882,197	1,680,598,197
Long term finances	8.1	157,245,796	157,245,796
From financial institutions			
Term finances	8.1	560,360,533	561,160,533
Long term finances	8.1	78,434,529	78,434,529
Not subject to mark up			
From financial institutions			
Term finance IX	8.2	58,351,091	58,351,091
Term finance XI	8.3	76,500,000	97,000,000
		4,516,321,379	4,570,017,379
Less : Current portion			
Installments due		1,567,756,662	1,090,365,220
Payable within one year		486,349,098	610,166,441
		2,054,105,760	1,700,531,661
		2,462,215,619	2,869,485,718
Unsecured - From directors and associate	8.4	296,653,086	296,653,086
		2,758,868,705	3,166,138,804

8.1 The terms of repayment of finances are as under;

Nature of loans	Balance Rupees	Number of installments	Payment rests	Commencement date	Ending date	Markup rate
From banking companies:						
Fixed assets finance	239,227,233	10	Half yearly	30-Sep-10	31-Mar-15	6 Months KIBOR + 0.5% p.a
Demand finances						
III	65,000,000	15	Quarterly	26-Jun-10	26-Dec-13	3 Months KIBOR + 1.5% p.a
IV	146,000,000	10	Half yearly	30-Sep-10	31-Mar-15	6 Months KIBOR + 0.5% p.a
VII	1,456,320,000	**(Refer Note 8.1.1)**				5 % p.a
	1,667,320,000					
Term finances						
II	191,481,436	12	Half yearly	31-Jul-14	30-Apr-20	6 Months KIBOR
III	106,250,000	60	Monthly	01-Oct-09	01-Sep-14	1 Month KIBOR + 0.5% p.a
IV	475,352,000	20	Quarterly	30-Sep-10	30-Jun-15	3 Months KIBOR + 2.5% p.a with a floor of 11% p.a
V	121,000,000	10	Quarterly	30-Sep-10	31-Dec-12	3 Months KIBOR + 3% p.a with a floor of 12% p.a
VI	130,000,000	60	Monthly	01-Nov-09	01-Oct-14	1 Month KIBOR + 0.5% p.a
VII	45,183,761	16	Quarterly	30-Jun-10	31-Mar-14	3 Months KIBOR + 3% p.a
VIII	118,750,000	12	Half yearly	31-Jul-14	30-Apr-20	6 months KIBOR
X	490,865,000	**(Refer Note 8.1.2)**				9% p.a
	1,678,882,197					
Long term finances						
IV	65,754,250	20	Quarterly	30-Sep-07	30-Jun-13	SBP rate + 2% p.a
VII	40,000,000	8	Half yearly	20-Jun-07	20-Dec-10	SBP rate + 2% p.a
VIII	38,433,050	14	Quarterly	01-Jan-07	31-Jan-11	SBP rate + 2% p.a
X	13,058,496	24	Quarterly	28-Mar-10	28-Dec-15	SBP rate + 2% p.a
	157,245,796					
From financial institutions:						
Term finances						
I	300,000,000	20	Quarterly	01-Mar-11	01-Dec-15	6 Months KIBOR + 2.5% p.a
II	93,750,000	60	Monthly	23-Jan-11	23-Dec-15	6 Months KIBOR + 3% p.a with a floor of 10% p.a and rebate of 6% p.a during the grace period
III	47,916,667	60	Monthly	27-Jan-11	27-Dec-15	6 Months KIBOR + 3% p.a with a floor of 10% p.a and rebate of 6% p.a during the grace period
IV	37,500,000	8	Quarterly	01-Mar-11	01-Dec-12	6 Months KIBOR + 3% p.a
V	48,537,616	12	Quarterly	29-Jul-11	29-Apr-14	3 Months KIBOR + 2.5% p.a
VI	17,578,125	16	Quarterly	29-Apr-09	29-Jan-13	6 Months KIBOR + 3% p.a
VII	15,078,125	16	Quarterly	29-Apr-09	29-Jan-13	6 Months KIBOR + 3% p.a
	560,360,533					
Long term finances						
II	3,090,689	36	Monthly	09-Jan-07	09-Dec-09	SBP rate + 2% p.a
III	12,586,768	48	Monthly	28-Apr-07	28-Mar-11	SBP rate + 2% p.a
IV	24,381,000	9	Half yearly	31-Dec-07	31-Dec-12	SBP rate + 2% p.a
V	12,179,477	13	Quarterly	31-Mar-07	28-Feb-10	SBP rate + 2% p.a
VI	18,888,895	13	Quarterly	31-Mar-07	28-Feb-11	SBP rate + 2% p.a
VII	7,307,700	13	Quarterly	31-Mar-07	31-Mar-11	SBP rate + 2% p.a
	78,434,529					

The loans are secured against first charge over fixed assets of the Company ranking pari pasu with the charges created in respect of export and running finances (Refer Note 13.2) and murabaha finances (Refer Note 13.3). These are further secured by personal guarantee of directors of the Company.

The effective rate of mark up charged during the year ranges from 5% to 9% per annum (2012: 6% to 9% per annum).

8.1.1 Markup of Rs. 243 million outstanding as at June 30, 2012 and markup for the period from July 2012 to June 2027 will be deferred and will be repaid in 20 equal quarterly installments commencing from September 30, 2027 and ending on June 30, 2032. Total restructured loan of Rs. 1,487 million is repayable in 60 quarterly installments as under;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
4	10,000,000	40,000,000	30-Sep-12	30-Jun-13
36	17,500,000	630,000,000	30-Sep-13	30-Jun-22
8	39,350,000	314,800,000	30-Sep-22	30-Jun-24
12	41,850,000	502,200,000	30-Sep-24	30-Jun-27
60		1,487,000,000		

8.1.2 Total amount of the loan was Rs. 499.581 million out of which Rs. 6 million was payable in 12 equal monthly installments commenced from July 01, 2011 and ending on June 01, 2012, Rs. 243.581 million is payable in 54 equal monthly installments commenced from July 01, 2012 and ending on December 01, 2016 and the balance amount of Rs 250 million will be declassified as a regular limit from January 1, 2017. Terms of repayment of balance amount of Rs. 250 million are not decided. Markup of Rs. 97.370 million outstanding as at June 30, 2011 and markup for the period from July 2011 to December 2016 will be deferred and will be repaid in 34 monthly installments commencing from January 2017 and ending on October 2019.

8.2 Mark up of Rs. 58.351 million outstanding as at November 30, 2009 has been converted into term finance IX. It was repayable in 4 equal quarterly installments commenced from September 01, 2010 and ending on June 01, 2011. It is not subject to mark up. The securities are disclosed in Note 8.1.

8.3 The terms of repayment have been revised during the year. Rs. 17.5 million has been settled against transfer of a leasehold generator and balance amount of Rs. 76.50 million is payable in 52 monthly installments as

No. of installments	Installment amount	Total amount	Commencing from	Ending on
6	500,000	3,000,000	5-Jul-13	5-Dec-13
12	1,000,000	12,000,000	5-Jan-14	5-Dec-14
12	1,500,000	18,000,000	5-Jan-15	5-Dec-15
12	2,000,000	24,000,000	5-Jan-16	5-Dec-16
9	2,000,000	18,000,000	5-Jan-17	5-Sep-17
1	1,500,000	1,500,000	5-Oct-17	-
52		76,500,000		

It is secured against first charge over specific assets of the Company.

8.4 It is interest free. Directors' loan of Rs. 196.617 million (2012: Rs. 196.617 million) is subordinated to fixed assets finance and term finances III, VI, VII and X and long term finance VII from banking companies and term finances IV, V, VI and VII from financial institutions. Terms of repayment have not been decided so far.

	Note	2013 Rupees	2012 Rupees
9. Liabilities against assets subject to finance lease			
Opening balance			
Principal		35,745,179	151,180,259
Grace period mark up		10,297,888	5,616,614
		46,043,067	156,796,873
Grace period mark up for the year		2,443,252	4,681,274
		48,486,319	161,478,147
Paid / adjusted during the year	9.2	(13,024,431)	(115,435,080)
		35,461,888	46,043,067
Shown under current liabilities			
Installments due		(6,385,654)	(4,175,015)
Payable within one year		(1,920,000)	(11,591,415)
		(8,305,654)	(15,766,430)
		27,156,234	30,276,637

9.1 These represent plant and machinery and generators acquired under separate lease agreements. The purchase option is available to the Company on payment of last installment and surrender of deposit at the end of the lease period.

9.2 The principal plus financial charges are payable over the lease period in monthly and half yearly installments. Terms of one lease agreement have been revised during the year. Grace period mark up and certain portion of repayment period mark up shall be deferred till June 2016 and payable in monthly installments. The liability represents the total minimum lease payments discounted at 14.48% to 16.53% per annum being the interest rates implicit in leases.

9.3 The future minimum lease payments to which the Company is committed as at the year end are as under:

Year ending June 30,	2013 Rupees	2012 Rupees
2013	-	20,464,921
2014	9,252,904	12,182,458
2015	4,200,000	12,182,458
2016	6,000,000	12,229,128
2017	11,347,174	-
2018	9,994,278	-
	40,794,356	57,058,965
Financial charges		
Payable	(1,349,161)	(584,640)
Allocated to future periods	(3,983,307)	(10,431,258)
	(5,332,468)	(11,015,898)
	35,461,888	46,043,067

9.4 Reconciliation of minimum lease payments and their present value is given below:

	2013		2012	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	------ Rupees ------			
Due within one year	9,252,904	8,305,654	20,464,921	15,766,430
Due after one year but not later than five years	31,541,452	27,156,234	36,594,044	30,276,637
	40,794,356	35,461,888	57,058,965	46,043,067

2013 2012

	Note	2013 Rupees	2012 Rupees
10. Deferred liabilities			
Staff retirement gratuity	10.1	111,138,359	114,367,833
Deferred mark up on:			
Demand finance VII	8.1.1	316,417,651	243,017,925
Term finance X	8.1.2	168,535,129	157,441,464
Liabilities against assets subject to finance lease	9.2	12,748,173	-
		497,700,953	400,459,389
		608,839,312	514,827,222

10.1 Staff retirement gratuity

10.1.1 General description

The scheme provides terminal benefits for all employees of the Company who attain the minimum qualifying period of service as defined in the scheme. Annual charge is based on actuarial valuation, carried out as at June 30, 2013 using Projected Unit Credit Method.

	Note	2013 Rupees	2012 Rupees
10.1.2 Balance sheet reconciliation as at June 30,			
Present value of defined benefit obligation		90,228,566	101,530,651
Cumulative net unrecognised actuarial gain		20,909,793	12,837,182
		111,138,359	114,367,833
10.1.3 Movement in net liability recognised			
Opening balance		114,367,833	149,349,841
Charge for the year	10.1.3.1	24,395,469	34,118,924
Paid / adjusted during the year		(1,648,938)	(15,361,619)
Benefits due but not paid		(25,976,005)	(53,739,313)
Balance at June 30,		111,138,359	114,367,833
10.1.3.1 Charge for the year			
Service cost		16,761,107	20,795,738
Interest cost		10,964,772	13,323,186
Curtailment gain		(3,061,998)	-
Actuarial (gains) recognised		(268,412)	-
		24,395,469	34,118,924
10.1.4 Principal actuarial assumptions			
Discount factor used		11.5% Per annum	12.5% Per annum
Expected rate of increase in salaries		10.5% Per annum	11.5% Per annum
Expected average remaining working lives of participating employees		10 years	11 years

10.1.5 Trend information

	2013	2012	2011	2010	2009
	---Rupees---				
Present value of defined benefit obligation	90,228,566	101,530,651	145,577,017	157,621,721	192,850,923
Experience adjustment on obligation	8,072,611	9,064,358	(1,042,646)	226,482	-

	Note	2013 Rupees	2012 Rupees
11. Trade and other payables			
Creditors	11.1	1,596,079,357	1,409,193,160
Accrued liabilities		80,813,833	460,424,754
Advance from customers		160,737,647	121,691,253
Unclaimed dividend		366,071	366,071
Other		4,058,403	4,269,358
		1,842,055,311	1,995,944,596

11.1 It includes Rs. 418,762/- (2012: Rs. 45,404/-) payable to an associated undertaking.

	Note	2013 Rupees	2012 Rupees
12. Interest / markup payable			
Interest / mark up payable on secured:			
Long term financing		543,210,769	539,006,198
Liabilities against assets subject to finance lease		1,349,161	584,640
Short term bank borrowings		757,798,472	758,038,634
		1,302,358,402	1,297,629,472

		2013 Rupees	2012 Rupees
13. Short term bank borrowings			
Secured			
Under mark up arrangements			
Export finances	13.2	5,097,204,813	4,974,171,194
Finance against trust receipts	13.2	18,301,847	18,301,847
Running finance	13.2	559,176,044	506,109,078
Murabaha finances	13.3	72,000,000	72,000,000
		5,746,682,704	5,570,582,119

13.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs. 271.37 million (2012: Rs. 300 million). Total sanctioned limits are Rs. 6.42 billion (2012: Rs. 6.14 billion) out of which limits of Rs. 5.58 billion (2012: Rs 5.84 billion) are expired and renewable.

13.2 These are secured against joint pari passu charge over current assets, lien on import / export documents and second charge over current and fixed assets of the Company. These are further secured by personal guarantee of directors of the Company. Certain export and running finances are further secured against first charge over fixed assets of the Company ranking pari pasu with the charges created in respect of long term financing (Refer Note 8.1) and murabaha finances (Refer Note 13.3). An export finances of Rs. 374.13 million (2012: Rs. 374.13 million) is also secured against equitable mortgage / deposit of title deeds of personal properties of directors and an associate.

13.3 These are secured against first charge over fixed assets of the Company ranking pari pasu with the charges created in respect of long term financing (Refer Note 8.1) and export and running finances (Refer Note 13.2). These are further secured by personal guarantee of directors of the Company.

	2013 Rupees	2012 Rupees
14. CONTINGENCIES		
Contingencies		
In respect of bank guarantees issued on behalf of the Company		
Sui Northern Gas Pipelines Limited for supply of gas	51,452,400	99,609,800
Collector of Customs against demand of custom duty on humidification plant. The Company has claimed exemption from the duty.	-	1,920,000
District Government against imposition of license fee	200,000	200,000
Demand of custom duty and sales tax not acknowledged in view of pending appeals	40,066,155	40,066,155
Demand of wealth tax not acknowledged in view of pending appeals	1,016,400	1,016,400
Liability of workers' welfare fund not acknowledged. The Company is claiming exemption from levy	3,984,509	3,604,906
Post dated cheques issued in favour of Collector of Customs for release of goods imported for re-export	13,011,312	21,199,488
Demands of Employees' Old Age Benefits Institution and Punjab Employees' Social Security Institution are not acknowledged in view of pending litigations	15,452,641	15,452,641
Liability of markup not acknowledged in view of Company's request for availing non serviceable grace period on the outstanding liabilities. Mark up has been calculated at the last agreed mark up rates.	1,324,397,012	704,810,030
Cases are pending before Foreign Exchange adjudication officer, State Bank of Pakistan for non repatriation of export proceeds within prescribed times. The default may attract penalties. The financial impact cannot be determined at this stage	-	-

	2013 Rupees	2012 Rupees

15. Property, Plant And Equipment

	Note	2013 Rupees	2012 Rupees
Operating assets	15.1	11,253,800,473	11,443,210,355
Capital work in progress - plant and machinery		-	18,998,591
		11,253,800,473	11,462,208,946

15.1 Operating assets

	Company owned											Under lease				
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Generators	Factory equipment	Furniture and fixture	Office equipment	Vehicles	Sign boards	Sub total	Building	Plant and machinery	Generators	Sub total	Total
	---Rupees---															
At July 01, 2011																
Cost / revaluation	2,185,661,250	2,056,621,046	6,678,653,615	312,786,712	442,400,000	76,124,990	38,726,409	82,807,511	48,151,810	525,248	11,922,458,591	7,405,200	211,268,114	85,300,000	303,973,314	12,226,431,905
Accumulated depreciation	-	(121,624,633)	(175,737,420)	(17,347,216)	(29,435,346)	(42,903,681)	(17,485,613)	(47,252,278)	(36,798,184)	(435,943)	(489,020,314)	(1,458,787)	(50,135,056)	(26,581,026)	(78,174,869)	(567,195,183)
Net book value	2,185,661,250	1,934,996,413	6,502,916,195	295,439,496	412,964,654	33,221,309	21,240,796	35,555,233	11,353,626	89,305	11,433,438,277	5,946,413	161,133,058	58,718,974	225,798,445	11,659,236,722
Year ended June 30, 2012																
Opening net book value	2,185,661,250	1,934,996,413	6,502,916,195	295,439,496	412,964,654	33,221,309	21,240,796	35,555,233	11,353,626	89,305	11,433,438,277	5,946,413	161,133,058	58,718,974	225,798,445	11,659,236,722
Additions	-	97,585	531,540	39,000	-	29,950	150,000	228,283	-	-	1,076,358	-	-	-	-	1,076,358
Disposals:																
Cost	-	-	-	-	-	-	-	-	(10,249,162)	-	(10,249,162)	-	-	-	-	(10,249,162)
Accumulated depreciation	-	-	-	-	-	-	-	-	7,884,902	-	7,884,902	-	-	-	-	7,884,902
	-	-	-	-	-	-	-	-	(2,364,260)	-	(2,364,260)	-	-	-	-	(2,364,260)
Depreciation charge	-	(77,400,182)	(97,582,248)	(12,511,728)	(10,324,116)	(3,323,396)	(2,134,705)	(3,569,903)	(2,408,158)	(8,931)	(209,263,367)	(121,397)	(2,417,752)	(2,935,949)	(5,475,098)	(214,738,465)
Closing net book value	2,185,661,250	1,857,693,816	6,405,865,487	282,966,768	402,640,538	29,927,863	19,256,091	32,213,613	6,581,208	80,374	11,222,887,008	5,825,016	158,715,306	55,783,025	220,323,347	11,443,210,355
At July 01, 2012																
Cost / revaluation	2,185,661,250	2,056,718,631	6,679,185,155	312,825,712	442,400,000	76,154,940	38,876,409	83,035,794	37,902,648	525,248	11,913,285,787	7,405,200	211,268,114	85,300,000	303,973,314	12,217,259,101
Accumulated depreciation	-	(199,024,815)	(273,319,668)	(29,858,944)	(39,759,462)	(46,227,077)	(19,620,318)	(50,822,181)	(31,321,440)	(444,874)	(690,398,779)	(1,580,184)	(52,552,808)	(29,516,975)	(83,649,967)	(774,048,746)
Net book value	2,185,661,250	1,857,693,816	6,405,865,487	282,966,768	402,640,538	29,927,863	19,256,091	32,213,613	6,581,208	80,374	11,222,887,008	5,825,016	158,715,306	55,783,025	220,323,347	11,443,210,355
Year ended June 30, 2013																
Opening net book value	2,185,661,250	1,857,693,816	6,405,865,487	282,966,768	402,640,538	29,927,863	19,256,091	32,213,613	6,581,208	80,374	11,222,887,008	5,825,016	158,715,306	55,783,025	220,323,347	11,443,210,355
Additions	2,392,500	-	40,225,540	235,790	-	149,745	189,800	61,405	651,496	-	43,906,276	-	-	-	-	43,906,276
Disposals:																
Cost	-	-	-	-	-	-	-	-	(1,835,800)	-	(1,835,800)	-	-	(19,333,333)	(19,333,333)	(21,169,133)
Accumulated depreciation	-	-	-	-	-	-	-	-	1,330,502	-	1,330,502	-	-	5,354,524	5,354,524	6,685,026
	-	-	-	-	-	-	-	-	(505,298)	-	(505,298)	-	-	(13,978,809)	(13,978,809)	(14,484,107)
Depreciation charge	-	(74,307,753)	(97,596,973)	(12,521,914)	(20,132,027)	(3,006,549)	(1,936,811)	(3,225,597)	(1,204,852)	(8,037)	(213,940,513)	(121,397)	(2,403,027)	(2,367,114)	(4,891,538)	(218,832,051)
Closing net book value	2,188,053,750	1,783,386,063	6,348,494,054	270,680,644	382,508,511	27,071,059	17,509,080	29,049,421	5,522,554	72,337	11,052,347,473	5,703,619	156,312,279	39,437,102	201,453,000	11,253,800,473
At June 30, 2013																
Cost / revaluation	2,188,053,750	2,056,718,631	6,719,410,695	313,061,502	442,400,000	76,304,685	39,066,209	83,097,199	36,718,344	525,248	11,955,356,263	7,405,200	211,268,114	65,966,667	284,639,981	12,239,996,244
Accumulated depreciation	-	(273,332,568)	(370,916,641)	(42,380,858)	(59,891,489)	(49,233,626)	(21,557,129)	(54,047,778)	(31,195,790)	(452,911)	(903,008,790)	(1,701,581)	(54,955,835)	(26,529,565)	(83,186,981)	(986,195,771)
Net book value	2,188,053,750	1,783,386,063	6,348,494,054	270,680,644	382,508,511	27,071,059	17,509,080	29,049,421	5,522,554	72,337	11,052,347,473	5,703,619	156,312,279	39,437,102	201,453,000	11,253,800,473
Annual rate of depreciation (%)		4	-	-	05	10	10	10	20	10		-	-	05		

	Note	2013 Rupees	2012 Rupees
15.2 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	26.1	212,456,754	206,616,768
Administrative expenses	29	6,375,297	8,121,697
		218,832,051	214,738,465

15.3 Had there been no revaluation, related figures of freehold land, building on freehold land, plant and machinery, electric installations and generators as at June 30, 2013 and 2012 would have been as follows:

2013			
Description	**Cost**	**Accumulated depreciation**	**Written down value**
	- - - - - - - - - R u p e e s	- - - - - - - - - - -	
Freehold land	88,091,253	-	88,091,253
Building on freehold land	2,113,125,299	714,403,397	1,398,721,902
Plant and machinery	5,613,235,455	1,560,708,807	4,052,526,648
Electric installations	304,768,363	105,773,904	198,994,459
Generators	245,077,888	132,813,481	112,264,407
	8,364,298,258	2,513,699,589	5,850,598,669

2012			
Description	**Cost**	**Accumulated depreciation**	**Written down value**
	- - - - - - - - - R u p e e s	- - - - - - - - - - -	
Freehold land	85,698,753	-	85,698,753
Building on freehold land	2,113,125,299	656,123,318	1,457,001,981
Plant and machinery	5,573,009,915	1,463,111,834	4,109,898,081
Electric installations	304,532,573	93,583,715	210,948,858
Generators	245,077,888	126,904,828	118,173,060
	8,321,444,428	2,339,723,695	5,981,720,733

15.4 Detail of disposals of property, plant and equipment

Description	**Cost**	**Accumulated depreciation**	**Written down value**	**Sale proceeds**	**Particulars**
	------------------------------------	Rupees	-----------------------------------		
Genarator					
(By negotiation)	19,333,333	5,354,524	13,978,809	17,500,000	Orix Leasing Pakistan Limited Orix Building, Plot No. 16 Sector No. 24 Korangi Industrial Area, Karachi.
Vehicles					
(Sold under Company policy)	925,000	558,749	366,251	366,251	Mr. Muhammad Maqsood - Employee
	61,300	38,646	22,654	22,654	Mr. Muhammad Tahir - Employee
(By negotiation)	849,500	733,107	116,393	120,000	Mr. Waheed Anwar. Chak No. 285/ G.B.Gobind Pur, Tehsil and District Toba Tek Singh.
	1,835,800	1,330,502	505,298	508,905	
2013	21,169,133	6,685,026	14,484,107	18,008,905	
2012	10,249,162	7,884,902	2,364,260	2,566,062	

16. Long term deposits

	2013	2012
Lease key money	3,686,898	3,686,898
Security deposits	12,636,768	8,804,768
	16,323,666	12,491,666
Less: Current portion - Lease key money	3,686,898	3,686,898
	12,636,768	8,804,768

17. Stores, spares and loose tools

	2013	2012
Stores	509,822,163	607,390,250
Spares	49,928,408	113,828,696
Loose tools	3,650	73,645
	559,754,221	721,292,591

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

18. Stock in trade

	2013 Rupees	2012 Rupees
Raw material	54,600,246	22,101,733
Work in process	118,323,979	159,248,276
Finished goods	449,376,543	462,374,697
Waste	3,905,113	5,810,380
	626,205,881	649,535,086

18.1 Stock in trade amounting to Rs. 255.338 million (2012: Rs. 458.135 million) is at net realisable value.

19. Trade debts

	2013 Rupees	2012 Rupees
Considered good		
Secured		
Foreign	9,488,578	7,547,002
Unsecured		
Foreign	1,922,613,335	1,824,121,769
Local	454,422,901	500,431,849
	2,377,036,236	2,324,553,618
	2,386,524,814	2,332,100,620

20. Loans and advances

	2013	2012
Considered good		
Loans to employees		
Executives	465,000	143,517
Others	926,421	750,000
Advances		
Suppliers / contractors	39,951,540	84,757,761
Income tax	8,857,348	21,402,444
	50,200,309	107,053,722

	Note	2013 Rupees	2012 Rupees

21. Deposits and prepayments

	Note	2013 Rupees	2012 Rupees
Deposits			
Security deposits		1,292,858	1,292,858
Current portion of long term deposits	16	3,686,898	3,686,898
Guarantee margin		7,644,616	9,309,616
Prepayments		132,479	1,058,919
		12,756,851	15,348,291

22. Other receivables

	Note	2013 Rupees	2012 Rupees
Export rebate / duty drawback		38,094,704	64,314,596
Excise duty		4,767,162	12,666,336
Other		385,000	9,514,782
		43,246,866	86,495,714

23. Tax refunds due from Government

	Note	2013 Rupees	2012 Rupees
Sales tax		58,814,841	61,430,319
Income tax		25,004,971	21,037,107
		83,819,812	82,467,426

24. Cash and bank balances

	Note	2013 Rupees	2012 Rupees
Cash in hand		530,365	6,755,142
Cash at banks			
In current accounts		16,192,947	22,951,763
		16,723,312	29,706,905

25. Sales

	Note	2013 Rupees	2012 Rupees
Export			
Fabrics / made ups / garments	25.1	560,488,155	836,855,057
Add: Export rebate / duty drawback		3,374,441	26,806,408
		563,862,596	863,661,465
Less:			
Commission		4,880,380	4,784,382
Discount		8,351,360	8,397,461
		13,231,740	13,181,843
		550,630,856	850,479,622
Local			
Yarn		1,017,083,416	802,598,800
Fabrics / made ups		265,606,890	649,850,783
Processing, conversion and stitching charges		338,404,200	303,702,947
		2,171,725,362	2,606,632,152

25.1 It includes exchange gain amounting to Rs. 91,042,728/- (2012: Rs. 25,685,177/-).

26. Cost of sales

	Note	2013	2012
Cost of goods manufactured	26.1	2,531,320,106	4,072,621,063
Finished goods			
Opening stock		468,185,077	339,453,725
Closing stock		(453,281,656)	(468,185,077)
		14,903,421	(128,731,352)
Cost of sales	26.2	2,546,223,527	3,943,889,711

26.1 Cost of goods manufactured

	Note	2013	2012
Raw material consumed	26.1.1	1,219,300,413	1,696,170,938
Salaries, wages and benefits		269,027,999	300,315,711
Staff retirement benefits		17,473,721	25,674,797
Stores and spares		253,955,940	285,669,473
Dyes and chemicals		71,662,490	359,515,760
Packing material		35,116,557	260,800,882
Repairs and maintenance		13,540,574	11,409,846
Fuel and power		295,718,230	325,149,960
Insurance		1,777,066	10,267,804
Depreciation	15.2	212,456,754	206,616,768
Other		100,366,065	88,705,959
		2,490,395,809	3,570,297,898
Work in process			
Opening stock		159,248,276	661,571,441
Closing stock		(118,323,979)	(159,248,276)
		40,924,297	502,323,165
		2,531,320,106	4,072,621,063

26.1.1 Raw material consumed

	2013	2012
Opening stock	22,101,733	245,604,647
Purchases including purchase expenses	1,251,798,926	1,472,668,024
	1,273,900,659	1,718,272,671
Closing stock	(54,600,246)	(22,101,733)
	1,219,300,413	1,696,170,938

26.2 It includes an amount of Nil (2012: Rs. 288.434 million) in respect of write down of inventories to net realisable values.

27. Other operating income

	2013 Rupees	2012 Rupees
Income from assets other than financial assets:		
Sale of waste material	1,861,112	1,528,707
Rental income	5,190,000	1,800,000
Gain on disposal of property, plant and equipment	3,524,798	201,802
Balances written back - net	137,397,193	16,939,650
	147,973,103	20,470,159

	Note	2013 Rupees	2012 Rupees

28. Selling and distribution expenses

Advertisement and publicity		208,696	194,578
Carriage and freight		11,897,276	15,905,843
Export clearing and forwarding		13,105,310	10,289,589
Export development surcharge		1,174,649	1,163,709
Other		2,933,851	2,304,121
		29,319,782	29,857,840

29. Administrative expenses

Directors' remuneration		8,400,000	8,400,000
Salaries and benefits		58,976,910	68,341,114
Staff retirement benefits		6,921,748	8,444,127
Electricity		894,206	1,011,477
Postage, telephone and telex		2,868,197	3,371,592
Vehicles running and maintenance		16,089,443	14,557,147
Travelling and conveyance		11,787,688	20,005,021
Printing and stationery		3,235,655	4,377,708
Entertainment		4,251,887	5,644,971
Fees and subscriptions		1,734,844	1,627,196
Legal and professional		2,433,500	1,231,988
Rent, rates and taxes		741,392	704,597
Auditors' remuneration	29.1	786,000	786,000
Repairs and maintenance		968,229	650,569
Depreciation	15.2	6,375,297	8,121,697
Insurance		119,429	1,164,933
Other		377,279	581,330
		126,961,704	149,021,467

29.1 Auditors' remuneration

Audit fee	500,000	500,000
Sundry services	236,000	236,000
Out of pocket expenses	50,000	50,000
	786,000	786,000

30. Finance cost

Interest / mark up on:			
Long term financing	30.1	84,493,391	148,635,648
Liabilities against assets subject to finance lease		4,407,774	4,798,664
Short term bank borrowings	30.1	7,253,979	-
Bank charges and commission		9,547,399	23,846,166
		105,702,543	177,280,478

The Company is facing financial and operational problems. As part of its long term plan to overcome these problems, the management has filed applications to its bankers / financial institutions to reschedule the existing long term and short term borrowings along with outstanding mark up thereon (except demand finance VII, own source finance and murabaha finance) and to convert the entire outstanding liabilities into non serviceable loans / loans subject to reduced rate of mark up for a reasonable period of time. The Company is hopeful that its bankers / financial institutions will consider the proposals favorably, therefore no further provision of markup in respect of these long term and short term finances has been made as the mark up expense amount depends on the outcome of the applications.

	2013 Rupees	2012 Rupees

31. Provision for taxation

		2013	2012
Current			
For the year		3,232,808	15,453,941
For prior years		2,056,871	2,066,464
Deferred		-	-
		5,289,679	17,520,405

31.1 Deferred tax asset of Rs. 148.42 million (2012: Rs. 182.68 million) has not been recognised in the financial statement in view of uncertain future results.

The relationship between tax expense and accounting loss

The relationship between tax expense and accounting loss has not been presented in these financial statements as the income from local sales is not subject to tax due to tax losses and income from export sales and rentals is subject to final tax under section 154, 155 and 169 of the Income Tax Ordinance, 2001.

32. (Loss) per share- Basic and diluted

		2013	2012
(Loss) for the year	Rupees	(493,798,770)	(1,690,467,590)
Weighted average number of ordinary shares outstanding during the year	Numbers	115,000,000	115,000,000
(Loss) per share- Basic and diluted	Rupees	-4.29	-14.70

32.1 There is no dilutive effect on the basic loss per share of the Company.

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	------ Rupees ------					
Remuneration	1,600,000	4,000,000	3,816,002	1,600,000	4,000,000	2,048,000
House rent allowance	480,000	1,200,000	1,144,800	480,000	1,200,000	614,400
Medical allowance	160,000	400,000	381,602	160,000	400,000	204,800
Utility allowance	160,000	400,000	381,602	160,000	400,000	204,800
	2,400,000	6,000,000	5,724,006	2,400,000	6,000,000	3,072,000
Number of persons	1	5	5	1	5	4

33.1 The Chief Executive Officer and Directors are entitled to free use of Company maintained vehicles. The monetary value is Rs. 4,059,140 (2012: Rs. 4,626,025/-). The Directors have waived off their meeting fee.

34. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertaking, directors and key management personnel. Amounts due to and due from related parties are shown under relevant notes to the financial statements. Remuneration to Chief Executive Officer, Directors and

Executives is disclosed in Note 33. Other significant transactions with related parties are as under:

Relationship	Nature of transaction	2013 Rupees	2012 Rupees
Associated undertakings	Services received	433,575	3,262,058

35. INSTALLED CAPACITY AND ACTUAL PRODUCTION

Textile Product	Unit	Rated capacity per annum		Actual production per annum	
		2013	2012	2013	2012
Fabrics	Mtrs	9,000,000	9,000,000	2,121,040	2,857,932
Made	Mtrs	59,000,000	59,000,000	581,773	1,316,083
Garment	Mtrs	3,500,000	3,500,000	1,210,281	1,907,208

Reasons for shortfall

- Closure due to load management by suppliers of gas and electricity.
- Financial problems being faced by the Company.
- It is difficult to describe precisely the production capacity of textile products being manufactured since it fluctuates widely depending upon various factors such as simple / multi-function articles, small and large size articles, special articles and the pattern of articles adopted.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimize risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

36.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2013 Rupees	2012 Rupees
Financial assets:		
Loans and receivables at amortised cost		
Trade debts	2,386,524,814	2,332,100,620
Loans and advances	1,391,421	893,517
Deposits	25,393,619	24,153,059
Other receivables	385,000	9,514,782
Cash and bank balances	16,723,312	29,706,905
	2,430,418,166	2,396,368,883
Financial liabilities:		
Financial liabilities at amortised cost		
Long term financing	4,812,974,465	4,866,670,465
Liabilities against assets subject to finance lease	35,461,888	46,043,067
Trade and other payables	1,681,317,664	1,874,253,343
Interest / markup payable	1,302,358,402	1,297,629,472
Short term bank borrowings	5,746,682,704	5,570,582,119
	13,578,795,123	13,655,178,466

36.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Company are explained below:

36.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company is exposed to concentration of credit risk towards the major customers M/S Alam B.V. Raaigars, M/S C.G.I Limited, M/S Hamad Herith and M/S Chenone Stores Limited. The trade debts receivable from these customers constitute 84.10% (2012: 82.94%) of the total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2013 Rupees	2012 Rupees
Trade debts	2,386,524,814	2,332,100,620
Loans and advances	1,391,421	893,517
Deposits	25,393,619	24,153,059
Other receivables	385,000	9,514,782
Bank balances	16,192,947	22,951,763
	2,429,887,801	2,389,613,741

Due to the Company's long standing relations with counter parties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company.

For trade debts, credit quality of the customer is assessed, taking into consideration its financial position and previous dealings. Individual credit limits are set. The management regularly monitor and review customers credit exposure. The majority of customers of the Company are situated at Middle East, USA and Europe.

The Company's most significant customers are foreign departmental stores and trading houses. The break-up of amounts due from customers is as follows:

	2013 Rupees	2012 Rupees
Alam B.V. Raaigars (Holland)	441,282,279	420,695,073
C.G.I. Limited (United Arebic Emirates)	818,220,247	780,047,700
Hamad Herith (Kingdom of Saudi Arabia)	340,060,299	324,195,417
Chenone Stores Limited	407,524,935	409,258,942
Other customers	379,437,054	397,903,488
	2,386,524,814	2,332,100,620

The aging of trade debts as at balance sheet date is as under:

	2013	2012
Not past due	163,190,996	243,764,079
Past due within one year	157,698,393	432,243,814
Past due over one year	2,065,635,425	1,656,092,727
	2,223,333,818	2,088,336,541
	2,386,524,814	2,332,100,620

The management is taking measures for the recovery of past due trade debts and is in the process of negotiations and settlement with the customers. Considering these factors and the fact that legal recourse for recovery of past due debts is available to the Company, the Company believes that past due trade debts do not require any impairment. The credit risk exposure is limited in respect of bank balances as bank balances are placed with foreign and local banks having good credit rating from international and local credit rating agencies.

36.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is facing difficulty in maintaining sufficient level of liquidity due to operating and financial problems being faced by the Company. Following are the contractual maturities of financial liabilities including markup payments except markup on long term and short term borrowings as referred in Note 30.1 as at June 30, 2013 and 2012;

	2013					
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**	**More than five years**
	-----Rupees in '000'-----					
Financial liabilities:						
Long term financing	4,812,974	5,439,430	1,885,789	278,080	1,502,654	1,772,908
Liabilities against assets subject to finance lease	35,462	40,794	8,053	1,200	31,541	-
Trade and other payables	1,681,318	1,681,318	1,681,318	-	-	-
Short term bank borrowings	5,746,683	5,753,937	5,753,937	-	-	-
Interest / markup payable	1,800,059	1,800,059	1,302,358	-	96,509	401,192
	14,076,496	14,715,538	10,631,455	279,280	1,630,704	2,174,099

	2012					
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**	**More than five years**
	-----Rupees in '000'-----					
Financial liabilities:						
Long term financing	4,866,670	5,518,244	1,415,408	290,677	2,069,561	1,742,598
Liabilities against assets subject to finance lease	46,043	57,059	14,374	6,091	36,594	-
Trade and other payables	1,874,253	1,874,253	1,874,253	-	-	-
Short term bank borrowings	5,570,582	5,570,582	5,570,582	-	-	-
Interest / markup payable	1,698,089	1,698,089	1,297,629	-	27,784	372,676
	14,055,637	14,718,227	10,172,246	296,768	2,133,939	2,115,274

The contractual cash flows relating to mark up have been determined on the basis of weighted average mark up rates excluding long term and short term bank borrowings on which no markup has been provided (Refer Note 30.1) which are included at principal amounts. The Company is exposed to the liquidity risk and is facing tight liquidity situation and could not meet its financial obligations as they fall due. Under the stressed conditions, in order to guard against the liquidity risk, the Company is in the process of settlement of liabilities and approval of structured finance limits against export documents.

36.2.3 Market risk

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

i) Interest rate risk

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

Majority of interest rate risk arises from long term and short term borrowings from banks. The Company is not providing markup on long term and short term borrowings as referred in Note 30.1. The interest rate profile of the Company's other interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not effect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

The impact of increase / (decrease) in interest rates is not material as the Company is not providing for markup on major portion of long term and short term borrowings (Refer Note 30.1)

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is exposed to currency risk on foreign debtors and bills payable. The total foreign currency risk exposure on reporting date amounted to Rs. 1,834.721 million (2012: Rs. 1,831.668 million).

At June 30, 2013, if the currency had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, loss for the year and negative equity would have been lower / higher by Rs. 91.20 million (2012: Rs. 92.864 million).

iii) Equity price risk

Trading and investing in equity securities give rise to equity price risk. The Company is not exposed to equity price risk.

36.3 Fair values of financial instruments

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

36.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Debt is calculated as total external borrowings ('long term financing', ' liabilities against assets subject to finance lease' and 'short term borrowings' as shown in the balance sheet). Equity comprises of shareholders' equity as shown in the balance sheet under 'share capital and reserves' and subordinated long term finance from directors.

The Company is also exposed to capital risk due to operational and financial problems being faced by the Company. The salient information relating to capital risk of the Company as of June 30, 2013 and 2012 were as follows:

	Note	2013 Rupees	2012 Rupees
Total debt	8, 9 & 13	10,298,465,971	10,186,642,565
Less: Cash and cash equivalents	24	16,723,312	29,706,905
Net debt		10,281,742,659	10,156,935,660
Total equity		(4,428,459,936)	(3,768,626,853)
Total capital		5,853,282,723	6,388,308,807
Gearing ratio		175.66%	158.99%

The gearing ratio has been deteriorated due to recurring operating losses.

36.5 Overdue loans and mark up

On the reporting date, the installments of long term financing amounting to Rs. 1,567.757 million (2012: Rs. 1090.365 million) along with mark up of Rs. 543.211 million (2012: Rs. 539.006 million), lease finances amounting to Rs. 6.386 million (2012: Rs. 4.175 million) along with mark up of Rs. 1.349 million (2012: Rs. 0.467 million) and short term borrowings amounting to Rs. 909.996 million (2012: Rs. 659.200 million) along with mark up of Rs. 757.798 million (2012: Rs. 708.229 million) were over due.

On reporting date, the carrying amount of loans relevant to above overdues were long term financing Rs. 2,019.678 million (2012: Rs. 2,040.977 million), lease finances Rs. 35.462 million (2012: Rs.46.089 million) and short term borrowings Rs. 909.996 million (2012: Rs. 659.200 million).

The Company's requests for restructuring of the overdue loans and markup and conversion into non serviceable loans for reasonable period of time are pending with the lenders (Refer Note 30.1).

37. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on **_10-10-2013_** by the Board of Directors of the Company.

38. DIVIDEND FOR CUMULATIVE PREFERENCE SHARES

The dividend for cumulative preference shares amounting to Rs. 284.279 million (2012: 261.228 million) will be accumulated and payable in the ensuing years when the sufficient amount of profit will be available for appropriation.

39. Figures have been rounded off to the nearest Rupee except where mentioned rounding off in Rupees in thousands.

MUHAMMAD NAEEM	**MIAN MUHAMMAD LATIF**
(DIRECTOR)	**(CHIEF EXECUTIVE OFFICER)**

Pattern of Holding of Ordinary Shares
Held by Shares Holders as at June 30, 2013

Share Holders	From	To	Total Shares
89	1	100	3,906
498	101	500	233,338
274	501	1,000	268,941
415	1,001	5,000	1,328,234
140	5,001	10,000	1,155,748
48	10,001	15,000	646,382
30	15,001	20,000	569,501
25	20,001	25,000	604,445
11	25,001	30,000	302,600
11	30,001	35,000	366,004
15	35,001	40,000	583,663
6	40,001	45,000	263,723
9	45,001	50,000	450,000
7	50,001	55,000	372,000
2	60,001	65,000	121,500
3	65,001	70,000	210,000
3	70,001	75,000	222,000
2	75,001	80,000	154,740
2	85,001	90,000	173,000
1	95,001	100,000	91,500
1	100,001	105,000	101,301
1	110,001	115,000	110,500
1	115,001	120,000	118,000
1	155,001	160,000	158,500
1	175,001	180,000	177,000
1	195,001	200,000	200,000
1	200,001	215,000	214,194
2	285,001	290,000	573,338
2	305,001	310,000	611,101
1	480,001	485,000	482,000
1	520,001	525,000	521,000
1	530,001	540,000	530,527
1	621,001	625,000	624,000
1	745,001	750,000	750,000
1	875,001	880,000	879,500
1	995,001	1,000,000	1,000,000
1	1,200,001	1,300,000	1,296,542
1	1,700,001	1,775,000	1,772,000
2	2,100,001	2,500,000	4,244,502
2	2,500,001	3,000,000	5,331,830
1	3,500,001	3,550,000	3,502,834
1	3,605,001	3,650,000	3,608,218
1	6,000,001	6,200,000	6,138,587
1	6,295,001	6,300,000	6,298,091
1	7,000,001	7,500,000	7,459,184
1	8,000,001	8,500,000	8,416,948
1	14,500,001	15,000,000	14,876,483
1	16,500,001	17,000,000	16,681,483
1	20,000,001	20,500,000	20,201,112
1624			**115,000,000**

Note: The Slabs not applicable, have not been shown.

Categories of Shareholders

Categories of Shareholders		Number	Share held	Percentage
Directors, Chief Executive and their spouse, children				
Mian Muhammad Latif	Chief Executive Officer	1	16,681,483	14.51
Mian Muhammad Javaid Iqbal	Director	1	14,876,483	12.94
Mr.Muhammad Naeem	Director	1	20,201,112	17.57
Mr.Muhammad Faisal Latif	Director	1	2,813,545	2.45
Mr.Muhammad Farhan Latif	Director	1	8,416,948	7.32
Mr.Muhammad Zeeshan Latif	Director	1	6,138,587	5.34
Mst.Shahnaz Latif	Director	1	7,459,184	6.49
Mst.Tehmina Yasmin	Spouse	1	2,518,285	2.19
Mst.Prveen Akthar	Spouse	1	285,338	0.25
Mr Umair Javaid	Son	1	2,419,019	2.10
Financial Institutions,Insurance Companies,Investment Companies, Joint Stock Companies ,Leasing Companies,Mutual Fund & etc.				
Insurance Companies		1	22,998	0.02
Investment Companies		1	25,000	0.02
Joint Stock Companies		18	1,059,846	0.92
Others		1	6,298,091	5.48
Individuals		1593	25,784,081	22.42
		1624	**115,000,000**	**100.00**

Pattern of Holding of Preference Shares
Held by Shares Holders as at June 30,2013

ShareHolders	From	To	Total Shares
26	1	100	954
561	101	500	278,217
64	501	1,000	62,490
143	1,001	5,000	466,505
79	5,001	10,000	672,600
31	10,001	15,000	422,000
32	15,001	20,000	599,503
34	20,001	25,000	830,501
14	25,001	30,000	398,500
12	30,001	35,000	396,530
8	35,001	40,000	312,500
5	40,001	45,000	211,500
21	45,001	50,000	1,043,000
2	50,001	55,000	108,500
4	55,001	60,000	234,000
2	60,001	65,000	127,065
3	65,001	70,000	204,500
4	70,001	80,000	298,500
3	80,001	90,000	265,500
12	95,001	100,000	1,195,500
7	100,001	150,000	941,500
11	150,001	200,000	2,010,000
3	200,001	250,000	682,500
1	250,001	300,000	300,000
1	495,001	500,000	500,000
1	550,001	600,000	564,500
1	810,001	815,000	812,000
3	900,001	1,000,000	2,875,000
1	1,000,001	1,050,000	1,001,000
1	1,200,001	1,300,000	1,250,000
1	1,510,001	1,515,000	1,512,137
1	1,700,001	1,750,000	1,750,000
1	1,815,001	1,820,000	1,815,998
1	1,995,001	2,000,000	2,000,000
1	2,495,001	2,500,000	2,500,000
1	3,500,001	4,000,000	4,000,000
1	4,995,001	5,000,000	5,000,000
3	9,995,001	10,000,000	30,000,000
1	12,355,001	12,360,000	12,357,000
1101			**80,000,000**

Note: The Slabs not applicable, have not been shown.

Sharesholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Son of Director	1	979,000	1.22
Mutual Fund	1	1,815,998	2.27
Financial Institutions	8	54,857,000	68.57
Joint Stock Companies	8	1,559,138	1.95
Individuals	1080	17,976,765	22.47
Others	3	2,812,099	3.52
	1101	**80,000,000**	**100.00**

Form of Proxy

I/We ______________________________ of ______________________ being a Member of Chenab Limited (the "Company") holding ________________ shares, hereby appoint ________________ of ________________, who is also a Member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the 29th Annual General Meeting of the Company to be held on October 31, 2013 and at any adjournment thereof.

Signed this ___________________ day of __________________ 2013

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Revenue Stamp Rs.5/-

WITNESSES:

1. Signature ______________________

   Name ______________________

   CNIC ______________________

   Address ______________________

2. Signature ______________________

   Name ______________________

   CNIC ______________________

   Address ______________________

____

The Signature should agree with the specimen signature registered with the Company.

Note:

1. This Proxy, duly completed, signed and witnessed, must be received at the registered office of the Company, Nishatabad, Faisalabad no later than forty-eight (48) hours before the time appointed for the Meeting.

2. No person shall act as proxy who is not a member of the Company (except that a corporation may appoint a person who is not a member).

3. 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.

4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.

5. In case of individual CDC Account holders, attested copy of NIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.

6. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the nominee shall be submitted alongwith this Proxy (unless it has been provided earlier).

Chenab
LIMITED

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