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Mission Statement

We Shall provide unparalleled service and best value to our customers through dedicated, responsive and cost effective supply chain.

We are to provide quality products by strict adherence to international standards and best practices through collaboration with leading global companies in markets we serve.

We shall strive to maximize our shareholders value through sustained profitable growth.

We shall enhance existing employee productivity, hire, retain and develop best talent and provide them a competitive environment to excel and grow.

We will aggressively focus on increasing our market penetration by exploring new channels.

We shall continue to set new trends through innovative marketing and manufacturing.

Company Information

Board of Directors	Sh. Faisal Tauheed	(Executive Director)
	Sh. Kashif Tauheed	-do-
	Mrs. Samira Faisal	Non Executive Director
	Mrs. Tahira Kashif	-do-
	Mrs. Sadia Kamran	-do-
	Mrs. Amna Kamran	Non Executive Director/Chairman
	Mr. Yasir Munir	Independent Director
Board Audit Committee	Mr. Yasir Munir	(Chairman)
	Mrs. Amna Kamran	
	Mrs. Sadia Kamran	
Board Human Resource and Remuneration Committee	Mrs. Sadia Kamran	(Chairman)
	Mrs. Amna Kamran	
	Mr. Yasir Munir	
Management Team	Sh. Faisal Tauheed Puri	(Chief Executive)
	Muhammad Islam Haider	(Chief Financial Officer)
	Imran Zafar	(Company Secretary)
	Qaiser Ali Faheem	(Internal Auditor)
Auditors	Amin Mudassar and Company Chartered Accountants	
Bankers	National Bank of Pakistan The Bank of Punjab Bank Alfalah Limited Habib Metropolitan Bank Limited Askari Bank Limited Bank Al-Habib Limited MCB Limited Meezan Bank Limited	
Registered Office	4th Floor, I.E.P. Building, 97-B/D-1, Gulberg III, Lahore.	
Factory	Dhuddiwala, Jaranwala Road, Faisalabad.	
Share Registrar	Orient Software & Management Services (Pvt) Ltd; 35-Z, Ameer Plaza, Opposite Mujahid Hospital, Commercial Centre, Madina Town, Faisalabad.	
Legal Advisor	Sahibzada Muhammad Arif Advocate High Court, Chamber No.52, District Courts, Faisalabad.	

Notice of 66th Annual General Meeting

Notice is hereby given that the Sixty sixth Annual General Meeting of the Shareholders of The National Silk & Rayon Mills Limited will be held at Faletti's Hotel, 24 – Egerton Road, Lahore on 31st day of October 2016 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the annual audited financial statements of the Company for the year ended June 30, 2016 together with the Directors' and Auditors' Report thereon.

2. To appoint auditors for the year ending June 30, 2017 and fix their remuneration. The present auditors M/s Amin Mudassar & Co., Chartered Accountants, retire and offer themselves for re-appointment.

3. To consider and approve increase in remuneration of the Chief Executive Sh. Faisal Tauheed from Rs.300,000/- to Rs.400,000/- and Director Sh. Kashif Tauheed from Rs.300,000/- to Rs.400,000/- per month w.e.f. 01-11-2016.

By order of the Board

Place: Lahore
Dated: October 07, 2016

(IMRAN ZAFAR)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 23, 2016 to October 31,2016 (both days inclusive). Transfers received in order at Share Registrar Office by the close of business October 22, 2016, will be treated in time for the entitlement to attend the meeting.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her.

3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.

4. Members are requested to submit declaration for zakat on the required format and to advise change in address, if any.

5. Members are requested to send copies of their computerized National Identity Cards to the company's independent Share Registrar M/s. Orient Software & Management Services (Pvt) Limited, 35-Z, Ameer Plaza, Opp: Mujahid Hospital, Madina Town, Faisalabad.

   CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No.1, of 2000 dated 26th January 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulation, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the meeting.
b. In case of Corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing Proxies

a. In case of individuals, the account holder and/or su-account holder and their registration details are uploaded as per the CDC regulations, shall submit the proxy form as per above requirements.
b. The proxy form shall be witnessed by two persons, whose names, address and CNIC number shall be mentioned on the form
c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
d. The proxy shall produce his original CNIC or original passport at the time of the meeting.
e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with the proxy form to the company.

Directors' Report

The Directors of your Company are pleased to present the 66th Annual Report of the Company along with audited financial statements and auditors' report thereon for the year ended 30th June 2016.

Business Overview:

Despite the challenges faced by the Company due to decline in the demand of cloth for processing and increase in fuel and power rates, your Company has successfully maintained the growth momentum. During the year the Company has achieved a growth of 5.62 % with sales volume. The gross profits have also improved, thereby generating a profit after tax of Rs.34.600 million in comparison to Rs.13.024 million of previous year.

The standalone EPS for the year is Rs.2.22 which is 164% higher than the last year EPS of Rs. 0.84.

Operating Results:	2016	2015
	--------R u p e e s--------	
Sales	709,705,001	671,950,183
Profit before taxation	32,803,364	28,542,683
Taxation	(1,796,186)	15,518,240
Profit after taxation	34,599,550	13,024,443

Dividend:

The directors have not recommended any dividend for the year ended June 30, 2016 to conserve cash for future growth and expansion.

Debt Obligation:

By the grace of Almighty Allah, despite so many challenges, the Company contains to meet its financial commitments and debt obligation on time.

Contribution to National Exchequer:

Being a responsible citizen, your company made a contribution of Rs. 36.181 million to national exchequer in form of income tax, sales tax, custom duties and excise as compared to Rs.30.000 million during the last financial year.

Human Resources:

Your Company recognizes its employees as its most critical asset and the competitive edge for its business. Therefore appropriate systems are in place to recruit, develop and grow talent for achieving excellence across all functional areas. Your Company's strong value based system provides a robust framework for meeting these objective.
The company continues to maintain cordial relations with all its employees. Negotiations on a new wage settlement with labour union were concluded satisfactorily and their wages were increased.

Health, Safety and Environment:

Your company works on the principle that all hazards can be prevented through effective leadership and actively promoting a high standard of safety including process safety. We are committed to the protection of environment and to ensure health and safety of its employees, customers, contractors and communities where we operate and practice quality in all our business activities so as to exceed customer expectations.

Business Risks, Challenges and Future Outlook

Looking forward, on the stagnant subjects such as weakening Pak Rupee, high inflation, worsening energy crises and poor law & order situation the Government will need to take immediate steps to resolve these persistent issues otherwise they will continue to hurt the business environment in Pakistan. Competition in Pakistan has been very aggressive and is expected to intensify its spending in Textile industry.

We are however, confident about the future prospects of your Company as the demand of cloth processing has been resilient and is expected to increase further in the years to come. We are also working internally to become more efficient by becoming more cost effective, focusing on energy conservation and expenditure reduction techniques.

Corporate and Social Responsibility:

Your Company being a responsible corporate citizen has been always conscious to discharge its obligations towards the people who work for it day and night, people around its work place and to the society as a whole.

Statutory Auditors of the company:

The present auditors M/s. Amin Mudassar and Company Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Audit Committee of the Board has also recommended their re-appointment as Statutory auditors of the company for the year ending June 30, 2017.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The directors of your company are aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance as required by the Code. As a part of the compliance of the Code, we confirm the following.

- These financial statement, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented. The system is being continuously monitored by internal audit and through other such monitoring procedure. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring in improvement in the system.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of the corporate governance, as listed in the listing regulations.
- Key operating and financial data for the last six years in summarized form is annexed.
- Information about taxes and levies is given in the notes to the financial statements.
- The company operated an un-funded and unapproved gratuity scheme. The provision was made annually to cover the obligations under the scheme as at the end of the financial year. The company has adopted the revised IAS 19 and a result actuarial valuation has been carried out. The projected unit credit method has been used to determine the actuarial value as specified by the IAS 19.
- There have been no material changes and commitments affecting the financial position which have occurred between the end of financial year and the date of annual report.

Audit Committee

The audit committee of the company is working as required by the Code of Corporate Governance. The audit committee has established internal audit system to monitor and review the adequacy and implementation of internal control at each level. The meetings of audit committee were held in compliance of the requirements of Code of Corporate Governance. Interim and annual financial statements were reviewed by the audit committee before the approval of board of directors.

Human Resource and Remuneration Committee:

In compliance with the requirements of code of corporate governance, the Board of Directors has established this committee comprising three members (including Chairman)' two of whom are non executive directors and one is independent director. Detailed terms of reference of the Committee were duly communicated to the members by the Board.

Financial Statements

As required under the listing regulations of stock exchange the Chief Executive Officer and Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the board of directors and the board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.
The financial statements of the company have been duly audited by the auditors of the company. Amin Mudassar and Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30th June 2016 and clean review report on Statement of Code of Corporate Governance except highlighted an instance of non compliance with the requirement of the Code that the company has not arranged training course for its directors during the year as required under clause (xi) of the Code and their reports are attached with the financial statements. No material changes in contingencies and commitments, effecting 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.

Related Party transaction and Transfer Pricing

It is the policy of the company to ensure that all transactions entered with related parties must be at arms length. The company has fully complied with the best practices of the transfer pricing as contained in the listing regulation of stock exchanges in Pakistan.

Director Attendance

During the year, 10 (ten) Board of Directors, 4 (four) Audit Committee and 2 (two) HR & Remuneration Committee meeting were held. Attendance by each Directors/CFO/Company Secretary was as follows:

Name	Board	Audit Committee	HR & R Committee
Sh. Faisal Tauheed	10	0	0
Sh. Kashif Tauheed	10	0	0
Mrs. Samira Faisal	10	0	0
Mrs. Tahira Kashif	10	0	0
Sh. Yasir Munir	10	4	2
Mrs. Amna Kamran	7	4	2
Mrs. Sadia Kamran	6	4	2
Muhammad Islam Haider (CFO)	10	4	2
Mr. Imran Zafar (Company Secretary)	10	4	2

Director's Training Program

Two directors of the company Sh. Faisal Tauheed and Sh. Kashif Tauheed has acquired the certification under Director Training Program from Institute of Chartered Accountants of Pakistan.

Corporate Social Responsibility:

Your company understands its responsibility towards the social activities for the benefit of the society. The company encourages all the activities in this regard. During the year, your company made donations to the institutions which provide free of cost education and health facilities to the poor people of the society.
The company also encourages and supports sports activities among the employees of the company. The company is continuing holding of cricket tournament among the employees of the company which is helping to maintain the fitness and mental development of the employees along with provision of entertainment.

Pattern of Shareholding:

The pattern of shareholding in the prescribed form is annexed which also includes the information required under Code of Corporate Governance.

Trading by Directors etc:

Share traded by directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouse and minor children are given as under:-

Name	Designation	No. of shares
Sh. Kashif Tauheed	Director	12,000

Appreciation

We would like to thank all of our staff members for the way they have responded to challenges of the year. Their hard work and commitment is greatly appreciated and is reflected in these results.

We are also thankful for the encouragement and support which we received from our suppliers, shareholders, bankers and financial institutions.

LAHORE:
October 07, 2016

Sh. Faisal Tauheed Puri
Chief Executive

Statement of Compliance

with the Code of Corporate Governance [See clause (xl)]

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of Listing Regulations of the Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category		Names
Independent Director	1.	Mr. Yasir Munir
Executive Director	2.	Sh. Faisal Tauheed
-do-	3.	Sh. Kashif Tauheed
Non - Executive Director	4.	Mrs. Samira Faisal
-do-	5.	Mrs. Tahira Kashif
-do-	6.	Mrs. Amna Kamran (Chairman)
-do-	7.	Mrs. Sadia Kamran

The independent directors meet the criteria of independence under clause I (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

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

4. No Casual vacancy occurred in the Board during the period 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, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose 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 seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board arranged orientation course for its directors as and when needed to apprise them of their duties and responsibilities. Two directors undertook the Directors training programme and obtained the certificate of Participation by Institute of Chartered Accountants of Pakistan.

10. No new appointments of CFO, Company Secretary and Head of Internal Audit, were made during the year. The board has, however, ratified their appointments including their remuneration and terms and conditions of employment.

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 of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three (3) members, all whom are non-executive directors including its Chairman.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed a Human Resources and Remuneration Committee. It comprises three members, of whom two are non-executive directors and one is an independent director. The Chairman of the Committee is a non-executive director.

18. The board has set up an effective internal audit function which was duly reviewed and ratified by the Audit Committee and approved by the Board of Directors of the Company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

Lahore:
October 07, 2016

Sh. Faisal Tauheed Puri
Chief Executive Officer

AMIN, MUDASSAR & CO.
Chartered Accountants

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Review Report

to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **THE NATIONAL SILK & RAYON MILLS LIMITED** ("the Company") for the year ended June 30, 2016 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited, where the company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

Further, we highlight below an instance of non-compliance with the requirements of the Code as reflected in the paragraph reference where this is stated in the Statement of Compliance:

Paragraph Reference	Description
9	The company has not arranged training course for its directors during the year as required under clause (xi) of the Code.

Lahore:
October 07, 2016

CHARTERED ACCOUNTANTS
MUHAMMAD AMIN

4th Floor, IEP Building, 97-B/D-1
Main Boulevard, Gulberg III, Lahore, Pakistan

Ph # : +92-42-35717261-62 Fax # : +92-42-35717263
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AMIN, MUDASSAR & CO.
Chartered Accountants

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Auditors' Report

to the Members

We have audited the annexed balance sheet of **The National Silk & Rayon Mills Limited** ("the Company") as at **June 30, 2016** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion :

(I) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2016 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

CHARTERED ACCOUNTANTS
AUDIT ENGAGEMENT PARTNER:
MUHAMMAD AMIN

Lahore:
October 07, 2016

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Balance Sheet

AS AT JUNE 30, 2016

EQUITY AND LIABILITIES	Note	2016 Rupees	2015 Rupees
SHARE CAPITAL AND RESERVES			
Authorised share capita	3	204,000,000	204,000,000
Issued, subscribed and paid-up share capital	4	155,531,740	155,531,740
Unappropriated profit		73,183,211	38,561,081
		228,714,951	194,092,821
SURPLUS ON REVALUATION OF FIXED ASSETS	5	481,279,091	176,329,091
DEFERRED INCOME	6	3,476,264	7,268,552
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	7	10,000,000	20,742,660
Deferred liabilities	8	23,951,078	32,415,138
		33,951,078	53,157,798
CURRENT LIABILITIES			
Trade and other payables	9	143,952,048	81,276,391
Accrued interest and markup	10	664,168	908,354
Short term borrowings	11	94,931,357	62,361,863
Current portion of lease liabilities	12	10,742,660	10,048,147
Provision for taxation	13	–	
		250,290,233	154,594,756
CONTINGENCIES AND COMMITMENTS	14	–	
		997,711,617	585,443,017

ASSETS	Note	2016 Rupees	2015 Rupees
NON CURRENT ASSETS			
Property, plant and equipmen	15	716,605,631	387,258,041
Long term deposits	16	30,851,231	27,591,241
		747,456,862	414,849,282
CURRENT ASSETS			
Stores, spares and loose tools	17	2,125,846	303,823
Stock in trade	18	49,432,837	26,778,721
Trade debts	19	59,793,382	35,248,672
Loans and advances	20	34,056,023	30,553,288
Trade deposits , short term prepayments and current account balances with statutory authorities	21	10,377,262	8,479,405
Accrued interest		6,914	9,022
Due from Government	22	79,351,220	64,045,815
Cash and bank balances	23	15,111,271	5,174,989
		250,254,755	170,593,735
		997,711,617	585,443,017

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales- net	24	709,705,001	671,950,183
Cost of sales	25	646,254,808	612,553,991
Gross profit		63,450,193	59,396,192
Distribution cost	26	295,056	701,117
Administrative expenses	27	28,575,160	24,882,750
Other operating expenses	28	1,852,023	1,568,595
		30,722,239	27,152,462
		32,727,954	32,243,731
Other income	29	6,179,059	5,394,711
		38,907,013	37,638,441
Finance cost	30	6,103,649	9,095,758
Profit before taxation		32,803,364	28,542,683
Taxation	31	(1,796,186)	15,518,240
Profit after taxation		34,599,550	13,024,443
		--------R u p e e s--------	
Earning per share- Basic and Diluted	32	2.22	0.84

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
Profit after taxation	34,599,550	13,024,443
Items that will not be reclassified to profit or loss		
Gain on staff retirement benefit obligation - net of deferred tax	22,580	514,895
Items that will be reclassified to profit or loss	-	-
Other comprehensive income-net of taxation	22,580	514,895
Total comprehensive income for the year-net of tax	34,622,130	13,539,338

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	54,752,916	85,674,738
Taxes paid		(10,498,728)	(9,217,091)
Finance cost paid		(6,347,835)	(9,117,930)
Gratuity paid		(1,223,358)	(418,205)
Net cash flows from operating activities		36,682,995	66,921,512
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(47,558,178)	(52,645,491)
Long term deposits		(3,259,990)	(16,622,100)
Profit on bank deposits		2,108	2,472
Sale proceeds of fixed assets		1,548,000	460,000
Net cash flows from investing activities		(49,268,060)	(68,805,119)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings from directors and associates		41,338,652	(5,235,000)
Repayment of lease finance liabilities		(10,048,147)	(8,556,313)
Net cash flows from financing activities		31,290,505	(13,791,313)
Net (Decrease) in cash and cash equivalents		18,705,440	(15,674,920)
Cash and Cash Equivalents at the Beginning of the Year		(31,821,874)	(16,146,954)
Cash and Cash Equivalents at the End of the Year	B	(13,116,434)	(31,821,874)

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Notes to the Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
A - CASH GENERATED FROM OPERATIONS			
Profit before taxation		32,803,364	28,542,683
Adjustment of non cash and other items:			
Provision for gratuity		2,421,680	2,610,680
Depreciation		22,366,589	20,873,919
Profit on disposal of fixed assets		(754,001)	(460,000)
Deferred income recognised		(3,792,288)	(3,792,288)
Finance cost		6,103,649	9,095,758
		26,345,629	28,328,070
Cash flows before working capital changes		59,148,993	56,870,752
EFFECT ON CASH FLOWS OF WORKING CAPITAL CHANGES			
(Increase)/Decrease in current assets			
Stores, spares and loose tools		(1,822,023)	(157,182)
Stocks in trade		(22,654,116)	21,190,221
Trade debts		(24,544,710)	11,160,966
Loan and advances		(3,502,735)	18,042,892
Trade deposit and short term prepayments		757,255	14,307,067
Due from Government		(15,305,405)	(23,597,545)
Increase/(Decrease) in current liabilities			
Trade and other payables		62,675,657	(12,142,434)
		(4,396,077)	28,803,985
		54,752,916	85,674,738
B - CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	15,111,271	5,174,989
Short term borrowings	11	(28,227,705)	(36,996,863)
		(13,116,434)	(31,821,874)

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2016

	SHARE CAPITAL	UN-APPROPRIATED PROFIT	TOTAL
	------------------- R	u p e e	s -------------------
Balance as at July 01, 2014	155,531,740	25,021,743	180,553,483
Profit for the year	-	13,024,443	13,024,443
Other comprehensive income	-	514,895	514,895
Total comprehensive profit	-	13,539,338	13,539,338
Balance as at June 30, 2015	155,531,740	38,561,081	194,092,821
Profit for the year	-	34,599,550	34,599,550
Other comprehensive income	-	22,580	22,580
Total comprehensive profit	-	34,622,130	34,622,130
Balance as at June 30, 2016	155,531,740	73,183,211	228,714,951

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

1 STATUS AND NATURE OF BUSINESS

The Company is a Public Limited Company, incorporated in Pakistan on June 27, 1950 under the Companies Act, 1913 (Now Companies Ordinance, 1984). The Company is quoted on Pakistan stock exchange. The registered office of the Company is situated at 4th Floor, I.E.P. Building, 97-B/D-1, Gulberg III, Lahore. The factory is located at Dhuddiwala, Jaranwala Road, Faisalabad in the province of Punjab. The principal activity of the company is dyeing, bleaching, finishing and embroidery of fabrics.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards to the extent applicable in Pakistan with reference to the financial year covered by the financial statements and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such international accounting standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities & Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except as stated hereafter in the relevant accounting policies. Further accrual basis of accounting is followed in the preparation of these financial statements except for cash flow information.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

a) Staff retirement benefits;
b) Taxation; and
c) Useful life of depreciable assets and provision for impairment there against.

2.5 CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

2.5.1 Amendments to published standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2015 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.5.2 Standards and amendments to published approved accounting standards that are not yet effective but relevant to the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2016 or later periods:

- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner as under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

- IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

- IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.

- IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

- On 25 September 2014, IASB issued Annual Improvements to IFRSs: 2012 – 2014 Cycle, incorporating amendments to four IFRSs more specifically in IAS 34 'Interim Financial Reporting', which is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2016. This amendment is unlikely to have a significant impact on the Company's financial statements and has therefore not been analyzed in detail.

2.5.3 Standard and amendments to published standards that are not yet effective and not considered relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.6.1 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

2.6.2 Assets Subject to Finance Lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged at the rates stated in (note 15) applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life.

Financial charges and depreciation on leased assets are charged to income currently.

2.6.3 Taxation

Current

Company's export sales fall under presumptive tax regime under Section 154 of the Income Tax Ordinance, 2001. Charge for current taxation other than export is based on taxable income at the current rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws.

Deferred

The company accounts for deferred taxation using the liability method on all timing differences which are considered reversible in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred tax is calculated at the rates expected to apply to the period when the related temporary differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

2.6.4 Staff Retirement Benefits

The Company operates an unfunded Gratuity Scheme covering all the employees of the Company with qualifying service period of six months. Provision is made annually on the basis of actuarial valuation. The most recent actuarial valuation was carried out as at June 30, 2016 using the Projected Unit Credit Method. Actuarial gains and losses are recognized in accordance with the recommendations of the actuary. Further, the management of the company could not determine the expected payments in next period reasonably.

	2016	2015
Principal Actuarial Assumptions		
Discount Rate	9.00% per annum	9.75% per annum
Expected rate of eligible salary increase in future years	8.00% per annum	8.75% per annum

2.6.5 Foreign Currency Translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are included in income currently.

2.6.6 Trade and Other Payables

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

2.6.7 Dividends

Dividend distribution to company's shareholders is recognized as a liability in the period in which dividend is approved by the Company's shareholders.

2.6.8 Contingencies and Commitments

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the financial statements.

2.6.9 Provisions

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

2.6.10 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and capital work-in-progress. Freehold land is stated at revalued amount and capital work-in-progress is stated at cost consisting of expenditure incurred in respect of fixed assets in the course of their construction and installation. Cost of certain plant and machinery consists of historical cost and exchange fluctuations on foreign currency loans utilized for acquisition thereof. Borrowing costs pertaining to erection / construction period are capitalized as part of the historical cost.

Depreciation is charged to income applying reducing balance method to write-off the cost, capitalized exchange fluctuations and borrowing costs over estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. Rates of depreciation are stated in (note 15).

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment 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 amount. Where carrying values exceed the respective recoverable amount assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

Gains/losses on disposal of fixed assets are taken to Profit and Loss Account.

Minor repairs and maintenance are charged to income, as and when incurred. Major renewals and replacements are capitalized and the assets so replaced, if any, other than those kept as stand by, are retired.

2.6.11 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

2.6.12 Capital Work in Progress

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

2.6.13 Long Term Deposits and Loans

These are stated at cost.

2.6.14 Inventories

Inventories except for stock in transit are stated at lower of cost or net realizable value. Cost is determined as follows:

2.6.15 Stores , Spares and Loose Tools

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores and spares are valued at cost comprising invoice value plus other charges paid thereon.

2.6.16 Stocks-in-Trade

Cost of raw material is based on weighted average cost.

Cost in relation to work-in-process and finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate production overheads.

Net realizable value signifies the selling price in the ordinary course of business less cost necessary to be incurred to effect such sales.

2.6.17 Trade debts and other receivables

Trade debts originated by the company are recognized and carried at original invoice amount less any allowance for any uncollectible amounts. Known bad debts, if any, are written-off and provision is made against debts considered doubtful.

2.6.18 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in cash flow statement comprise of cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term running finances under mark up arrangements.

2.6.19 Financial Instruments

Recognition and Measurements

All financial assets and liabilities are recognized at cost when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on subsequent re-measurement to fair value of financial assets and financial liability is taken to profit and loss account on occurrence.

Off-setting of Financial Assets and Financial Liabilities

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

2.6.20 Impairment

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

2.6.21 Transactions with related parties

All transactions with related parties are carried out by the company using the methods prescribed under the Companies Ordinance,1984.

2.6.22 Revenue Recognition:

- Processing charges are recorded when goods are delivered to customers and invoices raised.
- Export sales are booked on shipment basis.
- Other sales are recorded when significant risks and rewards of ownership of the goods have passes to the customers which coincides with dispatch of goods to customers.
- Interest income is recognized on time proportion basis using effective interest rates.
- Other revenues are recorded, as and when due, on accrual basis.

2.6.23 Borrowing Cost

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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to income in the period of incurrence.

2.6.24 Basic and diluted earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

		Note	2016 Rupees	2015 Rupees
3	**AUTHORIZED SHARE CAPITAL**			
	20,000,000 (2015:20,000,000) A - Class Ordinary shares of Rs. 10/- each.		200,000,000	200,000,000
	400,000 (2015:400,000) B - Class Ordinary shares of Rs. 10/- each.		4,000,000	4,000,000
			204,000,000	204,000,000
4	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**			
	Issued for Cash			
	15,051,267 (2015:15,051,267) A - Class Ordinary Shares of Rs. 10. each		150,512,670	150,512,670
	320,100 (2015:320,100) B - Class Ordinary Shares of Rs. 10. each		3,201,000	3,201,000
			153,713,670	153,713,670
	Issued as Bonus Shares			
	181,807 (2015:181,807) Ordinary Shares of Rs. 10. each		1,818,070	1,818,070
			155,531,740	155,531,740
5	**SURPLUS ON REVALUATION OF FIXED ASSETS**			
	Balance as at July 01,		176,329,091	176,329,091
	Add: Surplus arose on revaluation of fixed assets		304,950,000	-
			481,279,091	176,329,091

The Company had revalued its freehold Land during the year 2000. The revaluation exercise was carried-out by M/s Iqbal Malik and company, Surveyors-Assessors Consultants, Multan resulting in surplus of Rs.49,379,091 over book value. This has been credited to surplus on revaluation of fixed assets. The surplus on revaluation is not available for appropriation under the requirement of Section 235 of the Companies Ordinance, 1984, except and to the extent actually realized on disposal of the assets which are revalued. Thereafter, the company again revalued its freehold Land on June 27, 2012 and June 28, 2016.The revaluation exercises have been carried out by an independent valuer M/s Material & Design Services (Pvt) Limited, Faisalabad based on market value resulting in surplus of Rs.126,950,000 and Rs. 304,950,000 respectively. The amount had been credited to surplus of revaluation of fixed assets to comply with the requirement of section 235 of the Companies Ordinance, 1984.

	Note	2016 Rupees	2015 Rupees
6 DEFERRED INCOME			
Balance as at July 01,		7,268,552	11,060,840
Less: Income recognised during the year	6.1	3,792,288	3,792,288
		3,476,264	7,268,552

6.1 Refer to note 7.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2016 Rupees	2015 Rupees
Present value of minimum lease payments	20,742,660	30,790,807
Less: Current portion shown under current liabilities	(10,742,660)	(10,048,147)
	10,000,000	20,742,660

During the year June 30, 2014, the company had entered into a sale & lease-back agreement with Orix Leasing Pakistan Limited to finance 6 embroidery machines. Against the total cost of machines of Rs.40.00 million, the Company has given security deposit amounting Rs.10 million and Orix Leasing has financed the remaining cost of Rs.30.00 million. The amount financed by Orix Leasing Pakistan Limited is repayable in 36 monthly installments commenced from June, 2014 and carries mark-up at the rate of 6-months KIBOR + 600 basis points per annum. Effective mark-up rate charged by Orix Leasing Pakistan Limited, during the current year was 16.18% per annum. The facility is secured against personal guarantees of the directors and registration of the leased machinery in Orix Leasing Pakistan Limited's name. The company has bargain purchase option at the end of the lease period and intends to exercise the same.

Gain arisen on sale & lease-back of these machines amounting Rs.11.377 million had been recognised as deferred income and is being amortized over the lease term.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum lease payments	Future finance cost	Present value of minimum lease payments	
			2016	2015
	---------- Rupees ----------			
Not later than one year	11,631,180	888,520	10,742,660	10,048,147
Later than one year but not later than five years	10,000,000	-	10,000,000	20,742,660
	21,631,180	888,520	20,742,660	30,790,807

	Note	2016 Rupees	2015 Rupees
8 DEFERRED LIABILITIES			
Provision for staff gratuity	8.1	13,888,367	12,722,769
Deferred taxation	8.4	10,062,711	19,692,369
		23,951,078	32,415,138

8.1 Staff Gratuity - Defined benefits plan

	2016 Rupees	2015 Rupees
The amount recognized in the balance sheet on this account as per IAS 19 is:		
Present value of defined benefit obligation	13,888,367	12,722,769
Movement in present value of defined benefit obligation:		
Present value of defined benefit obligations as on July 01,	12,722,769	11,287,492
Charge to profit and loss account	2,421,680	2,610,680
Benefits paid during the year	(1,223,358)	(418,205)
Recognised in other comprehensive income	(32,724)	(757,198)
Present value of defined benefit obligations as on June 30,	13,888,367	12,722,769
Charge to profit and loss account for the year is as follows:		
Service cost	1,240,849	1,142,793
Interest cost	1,180,831	1,467,887
	2,421,680	2,610,680
Recognised in other comprehensive income for the year is as follows:		
Actuarial (gains) / losses on remeasurement - Gross	(32,724)	(757,198)
Related deferred tax	10,144	242,303
	(22,580)	(514,895)

8.2 Principal Actuarial Assumptions

Discount Rate	9.00% per annum	9.75% per annum
Expected rate of eligible salary increase in future years	8.00% per annum	8.75% per annum
Expected mortality rate	SLIC (2001-05)	SLIC (2001-05)

8.3 Comparison for five years:

As at June 30,	**2016**	**2015**	**2014**	**2013**	**2012**
	----------------------- (R	u p	e e	s)-----------------------	
Present value of defined benefit obligation	13,888,367	12,722,769	11,287,492	8,918,239	7,764,751

8.4 Deferred Taxation

	Note	**2016 Rupees**	**2015 Rupees**
This is composed of the following:			
Deferred tax liability on taxable temporary differences arising in respect of:			
Accelerated tax depreciation		12,633,342	23,471,633
Excess of accounting book value of leased assets over liabilities		1,734,763	1,493,405
		14,368,104	24,965,038
Deferred tax asset on deductable temporary differences arising in respect of:			
Deferred debits arising in respect of staff gratuity		(4,305,394)	(4,071,286)
Deferred debits arising on brought forward losses		-	(1,201,383)
		(4,305,394)	(5,272,669)
		10,062,711	19,692,369
Balance as at July 01,		19,692,369	11,085,316
Add: Charge/(Reversal) during the year to:			
Profit and loss account		(9,639,802)	8,364,750
Other comprehensive income		10,144	242,303
		(9,629,658)	8,607,053
		10,062,711	19,692,369

9 TRADE AND OTHER PAYABLES

Sundry creditors		51,118,452	40,422,859
Accrued expenses		13,965,901	13,869,046
Advance from customers		23,641,267	19,460,289
Unclaimed dividend		508,826	508,826
Letter of credit payable		51,248,873	4,156,682
Income tax withheld		266,789	673,741
Sales tax withheld		1,469,171	682,702
Workers' (profit) participation fund	9.1	1,732,769	1,502,246
		143,952,048	81,276,391

9.1 Workers' (Profit) Participation Fund

Balance as at July 01,	1,502,246	1,113,025
Interest charged for year	146,478	116,868
	1,648,724	1,229,893
Less: Payments during the Year	1,648,724	1,229,893
	-	-
Allocation for the year	1,732,769	1,502,246
	1,732,769	1,502,246

10 ACCRUED INTEREST AND MARK UP

Mark up on short term finances- Secured	664,168	908,354
	664,168	908,354

11 SHORT TERM BORROWINGS

From banking companies:			
Cash finance	11.1	25,781,924	29,052,673
Running finance	11.2	2,445,781	7,944,190
		28,227,705	36,996,863
From related parties:			
Directors - unsecured and interest free	11.4	66,703,652	25,365,000
		94,931,357	62,361,863

11.1 This facility has been obtained from National Bank of Pakistan with sanctioned limit of Rs.30.00 Million (2015: Rs.30.00 million) for working capital. This is secured against hypothecation charge over Company's present and future current assets, mortgage / charge over fixed assets and personal guarantees of all directors. This carries markup @ 3 months KIBOR(Ask) rate+3.25% per annum (2015:@ 3 months KIBOR(Ask) rate+3.25% per annum) payable on quarterly basis.

11.2 This facility has been obtained from The Bank of Punjab with sanctioned limit of Rs.8.00 Million (2015:Rs.8.00 million) for working capital. This is secured against hypothecation charge over Company's present and future current assets, mortgage charge over fixed assets and personal properties of two directors and personal guarantees of all directors. This carries markup @ 3 month KIBOR + 325 bps per annum (2015:@ 3 month KIBOR + 325 bps per annum) payable on quarterly basis.

11.3 The facilities for opening letters of credit and export bills negotiation as at June 30, 2016 amounted to Rs.130 Million (2015: Rs.130.00 Million) of which the amount over utilized at year end was Rs.67.830 Million (2015: under utilized Rs.19.581 Million).

	Note	2016 Rupees	2015 Rupees
11.4 FROM RELATED PARTIES:			
Directors - unsecured and interest free			
Balance as at July 01,		25,365,000	30,600,000
Add: Received during the year		41,338,652	25,365,000
Less: Repaid during the year		-	30,600,000
		66,703,652	25,365,000
12 CURRENT PORTION OF LEASE LIABILITIES			
Payable within next twelve months		10,742,660	10,048,147
		10,742,660	10,048,147
13 PROVISION FOR TAXATION			
Balance as at 1st July,		-	-
Less: Adjusted during the year		-	-
		-	-
Add: Provision for the taxation-current		7,158,841	6,773,449
		7,158,841	6,773,449
Less: Tax deducted at source / advance tax		(7,158,841)	(6,773,449)
		-	-

13.1 Income tax assessments of the company have been finalized up to the Tax Year 2015. On the basis of return filed for the Tax Year 2015 the loss of Rs.3,754,322 was determined.

13.2 Provision for the current year represents tax on income chargeable under final tax regime u/s 169 and under minimum tax on turnover due under section 113 of the Income Tax Ordinance, 2001.

13.3 No numeric tax rate reconciliation is presented in these financial statements as the company is either liable to pay tax under final tax regime u/s 169 or minimum tax u/s 113 of Income Tax Ordinance 2001.

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Counter guarantees by the bank in respect of guarantees issued in the normal course of business for sum of Rs.6.550 million (2015: Rs. 6.550 million).

14.1.2 The Sui Northern Gas Pipelines Limited (SNGPL) had raised a demand amounting Rs.39.805 million (2015:Rs.39.805 million) . Which has been contested by the Company as unsubstantiated and unjustified. The Company had deposited Rs.28.178 million with SNGPL under protest as referred to note No.20 to the financial statements. SNGPL had constituted a Review Committee to examine and resolve the matter and bring the facts on record. The aforesaid Committee had decided the case against the Company. The Company had filed appeal to Oil & Gas Regulatory Authority (OGRA). The Joint Executive Director (OGRA) has decided the case in favor of the Company. However, SNGPL has filed appeal to OGRA for review against the decision of Joint Executive Director (OGRA). OGRA has decided the case against the company. The company had filed writ petition against the decision of the OGRA. The Honorable Court had set asided the decision of OGRA. Thereafter, SNGPL had filed appeal with OGRA. OGRA has decided the appeal filed by SNGPL in favour of the Company.

14.1.3 During the year , the commissioner Inland Revenue issued notice U/S 122(1)(5A) of the Income Tax Ordinance 2001 in respect of tax years 2010 and 2011. The Commissioner Inland Revenue finalized assessment and made additions under section 18(1) (d) of the Income Tax Ordinance amounting Rs 11.55 million and Rs 12.25 million in respect of tax year 2010 and 2011 respectively (no tax liability arose due to availability of brought forward taxable losses). The company has filed appeal with Commissioner Inland Revenue (Appeals) against the aforesaid order. The company has strong case and hopeful of a favourable decision.

14.2 Commitments

14.2.1 Commitments in respect of letters of credit for capital expenditures were amounting Rs.11.936 million (2015: Rs.Nil)

14.2.2 Commitments in respect of letters of credit other than for capital expenditures were amounting Rs.17.392 million (2015: Rs. 35.730 million).

15 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	OWNED												LEASED			CAPITAL WORK IN PROGRESS				GRAND TOTAL
	Land-Freehold			Building on Free hold Land																
	Cost	Revaluation Surplus	Sub Total	Factory	Residential	Sub Total	Plant and Machinery	Pipeline and Electric Fitting	Office Equipment	Furniture and Fixture	Vehicles	TOTAL	Plant and Machinery	Vehicles	TOTAL	Building	Plant and Machinery	Pipeline and Electric Fitting	TOTAL	
	Amount In Rupees																			
Cost / Revaluation																				
Balance as at 01 July, 2014	220,909	176,329,091	176,550,000	17,961,368	104,888	18,066,256	249,738,321	11,241,930	1,991,914	753,590	9,262,623	467,604,634	40,200,000	-	40,200,000	7,026,009	-	-	7,026,009	514,830,643
Additions	-	-	-	-	-	-	26,870,619	-	-	-	9,799,050	36,669,669	-	-	-	6,410,835	-	9,564,987	15,975,822	52,645,491
Transfers	-	-	-	4,987,496	-	4,987,496	-	-	-	-	-	4,987,496	-	-	-	(4,987,496)	-	-	(4,987,496)	-
Disposals	-	-	-	-	-	-	-	-	-	-	(595,620)	(595,620)	-	-	-	-	-	-	-	(595,620)
Balance as at 30 June 2015	220,909	176,329,091	176,550,000	22,948,864	104,888	23,053,752	276,608,940	11,241,930	1,991,914	753,590	18,466,053	508,666,179	40,200,000	-	40,200,000	8,449,348	-	9,564,987	18,014,335	566,880,514
Balance as at 01 July, 2015	220,909	176,329,091	176,550,000	22,948,864	104,888	23,053,752	276,608,940	11,241,930	1,991,914	753,590	18,466,053	508,666,179	40,200,000	-	40,200,000	8,449,348	-	9,564,987	18,014,335	566,880,514
Additions	-	304,950,000	304,950,000	-	-	-	35,062,366	-	-	-	4,263,664	344,276,030	-	-	-	8,232,148	-	-	8,232,148	352,508,178
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	(1,973,968)	(1,973,968)	-	-	-	-	-	-	-	(1,973,968)
Balance as at 30 June	220,909	481,279,091	481,500,000	22,948,864	104,888	23,053,752	311,671,306	11,241,930	1,991,914	753,590	20,755,749	850,968,241	40,200,000	-	40,200,000	16,681,496	-	9,564,987	26,246,483	917,414,724
Depreciation																				
Balance as at 01 July, 2014	-	-	-	15,212,293	97,670	15,309,963	131,109,411	7,108,358	1,504,748	675,104	2,966,590	158,674,174	670,000	-	670,000	-	-	-	-	159,344,174
Charge for the year	-	-	-	732,096	361	732,457	13,901,385	413,357	48,717	7,849	1,817,155	16,920,919	3,953,000	-	3,953,000	-	-	-	-	20,873,919
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
On disposals/transfers	-	-	-	-	-	-	(595,620)	-	-	-	-	(595,620)	-	-	-	-	-	-	-	(595,620)
Balance as at 30 June 2015	-	-	-	15,944,389	98,031	16,042,420	144,415,176	7,521,715	1,553,465	682,953	4,783,745	174,999,473	4,623,000	-	4,623,000	-	-	-	-	179,622,473
Balance as at 01 July, 2015	-	-	-	15,944,389	98,031	16,042,420	144,415,176	7,521,715	1,553,465	682,953	4,783,745	174,999,473	4,623,000	-	4,623,000	-	-	-	-	179,622,473
Charge for the year	-	-	-	700,448	343	700,791	14,413,056	372,022	43,845	7,064	3,272,111	18,808,889	3,557,700	-	3,557,700	-	-	-	-	22,366,589
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	(1,179,969)	(1,179,969)	-	-	-	-	-	-	-	(1,179,969)
Balance as at 30 June	-	-	-	16,644,837	98,374	16,743,211	158,828,232	7,893,737	1,597,310	690,017	6,875,887	192,628,393	8,180,700	-	8,180,700	-	-	-	-	200,809,093
Carrying amount-	220,909	481,279,091	481,500,000	6,304,027	6,514	6,310,541	152,843,074	3,348,193	394,604	63,573	13,879,862	658,339,848	32,019,300	-	32,019,300	16,681,496	-	9,564,987	26,246,483	716,605,631
Carrying amount-2015	220,909	176,329,091	176,550,000	7,004,475	6,857	7,011,332	132,193,764	3,720,215	438,449	70,637	13,682,308	333,666,706	35,577,000	-	35,577,000	8,449,348	-	9,564,987	18,014,335	387,258,041
Rates of Depreciation (%p.a)				10%	5%		10%	10%	10%	10%	20%		10%	20%						

15.1 The depreciation charged for the year has been allocated as follows:

	Note	2016 Rupees	2015 Rupees
Cost of sales	25	20,129,930	18,786,527
Administrative expenses	27	2,236,659	2,087,392
		22,366,589	20,873,919

15.2 The Company had revalued its freehold Land during the year 2000. The revaluation exercise was carried-out by M/s Iqbal Malik and company, Surveyors-Assessors Consultants, Multan on the basis of replacement cost. Thereafter, the company again revalued its freehold Land on June 27, 2012 and June 28, 2016.The revaluation exercises have been carried out by an independent valuer M/s Material & Design Services (Pvt) Limited, Faisalabad based on market value. Had there been no revaluation of Freehold Land, the carrying amount of the Land as at June 30, 2016 would have been as follows:

Particulars	Cost Rupees	Accumulated Depreciation	Carrying Value
	………………..R	U P E E	S………………..
Freehold Land	220,909	-	220,909
As at June 30, 2016	220,909	-	220,909
As at June 30, 2015-Rupees	**220,909**	**-**	**220,909**

15.3 Disposal of property, plant and equipment:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit	Mode of Disposal	Particulars
		………………..R	U P E E	S………………..			
Vehicle							
Motor Bike CD-70 Red Reg. # FDR-13-9888	71,500	45,284	26,216	35,000	8,784	Negotiation	Mr. Mumtaz Ali Bhatti Yousaf Town Satyana Road Faisalabad CNIC#33100-0034343-3
Motor Car Toyota Corolla GLI 488w 1299 CC Reg. # LEB-13-9262	1,746,500	989,683	756,817	1,475,000	718,183	Negotiation	Mr. Khalid Mehmood 15 WA Madina Town Faisalabad CNIC#36501-1162179-9
Motor Bike Yamaha -100 CC Engine # Y753475 Reg. # FDR-9929	82,250	71,284	10,966	18,000	7,034	Negotiation	Mr.Imran Khalil Ward No. 12 Moh. Bilal Pura Shahkot Distict Nankana CNIC#35403-1162114-5
Motor Bike Yamaha Junoon CD-100 Engine # 3B11-054278K Reg. # FDO-2408	73,718	73,718	-	20,000	20,000	Negotiation	Mr.Ghulam Shabbir Dhuddiwala, Jaranwala Road, Faisalabad CNIC# 332011517498-9
	1,973,968	1,179,969	793,999	1,548,000	754,001		
2015: Rupees	**595,620**	**595,620**	**-**	**460,000**	**460,000**		

	Note	2016 Rupees	2015 Rupees
16 LONG TERM DEPOSITS			
Security deposits		20,851,231	17,591,241
Deposits against finance lease		10,000,000	10,000,000
		30,851,231	27,591,241
17 STORES, SPARES AND LOOSE TOOLS			
Stores		186,650	32,922
Spares		1,939,196	270,901
		2,125,846	303,823
18 STOCK IN TRADE			
Raw material		42,346,081	23,759,394
Packing material		781,124	137,979
Work in process - Cost of processing done on third party orders		2,919,882	1,364,143
Finished goods - Cost of processing done on third party orders		3,385,750	1,517,205
		49,432,837	26,778,721

18.1 These stocks are hypothecated with banks as security against short term finances as indicated in note no.11.

	Note	2016 Rupees	2015 Rupees
19 TRADE DEBTS			
Local - Unsecured and considered good by the management		59,793,382	35,248,672
		59,793,382	35,248,672
20 LOANS AND ADVANCES			
Advances to: (Unsecured but considered good)			
Suppliers of goods		5,681,798	2,280,402
Employees against expenses		196,246	94,907
Others	**20.1**	28,177,979	28,177,979
		34,056,023	30,553,288

20.1 Referred to note no.14.1.2 to the financial statements.

	Note	2016 Rupees	2015 Rupees
21 TRADE DEPOSITS , SHORT TERM PRE-PAYMENTS AND CURENT ACCOUNT BALANCES WITH STATUTORY AUTHORITIES			
Security deposits		50,000	982,500
Short term prepayments		524,652	425,261
Immature letters of credit- secured	**21.1**	1,749,780	1,673,926
Tax deducted at source		8,052,830	5,397,718
		10,377,262	8,479,405

21.1 These comprise of opening charges, bank charges and partial payments of cost of documents.

	Note	2016 Rupees	2015 Rupees
22 DUE FROM GOVERNMENT			
Sales tax refundable		79,351,220	64,045,815
		79,351,220	64,045,815
23 CASH AND BANK BALANCES			
Cash in hand		146,030	130,582
Cash with banks in:			
Current accounts		14,660,241	4,739,407
Deposit accounts	23.1	305,000	305,000
		14,965,241	5,044,407
		15,111,271	5,174,989

23.1 These are Term Deposit Receipts (TDR) held under lien by National Bank of Pakistan as margin against guarantees issued to Sui Northern Gas Pipe Lines Limited and carry mark up @4.71% per annum (2015:@7.10% per annum).

	Note	2016 Rupees	2015 Rupees
24 SALES -net			
Gross:			
Exports		5,290,470	16,749,284
Processing receipts		722,784,293	670,645,296
Others		9,968,090	972,680
		732,752,383	671,617,976
Less: sales tax		(28,337,852)	(16,417,077)
		704,414,531	655,200,899
		709,705,001	671,950,183
25 COST OF SALES			
Raw material consumed	25.1	300,671,323	286,435,572
Salaries, wages and benefits	25.2	61,215,678	49,326,356
Fuel and power		236,024,587	219,902,580
Packing material consumed		9,165,510	10,271,780
Stores and spares consumed		15,448,057	19,077,119
Oil and greases consumed		5,470,276	2,952,632
Repair and maintenance		1,553,731	1,866,418
Depreciation	15.1	20,129,930	18,786,527
		649,679,092	608,618,984
Work in process			
Opening stock		1,364,143	3,154,555
Closing stock		(2,919,882)	(1,364,143)
		(1,555,739)	1,790,412
		648,123,353	610,409,396
Finished goods			
Opening stock		1,517,205	3,661,800
Closing stock		(3,385,750)	(1,517,205)
		(1,868,545)	2,144,595
		646,254,808	612,553,991
25.1 Raw Material Consumed			
Balance as at July 01,		23,759,394	41,010,745
Purchases during the Year		319,258,009	269,184,221
Available for Consumption		343,017,403	310,194,966
Less: Balance as at June 30,		42,346,081	23,759,394
		300,671,323	286,435,572

25.2 Salaries, wages and benefits include Rs. 2,047,530 (2015: Rs. 2,207,330) in respect of staff gratuity.

	Note	2016 Rupees	2015 Rupees
26 DISTRIBUTION COSTS			
Salaries and benefits		177,010	151,000
Advertisement and sales promotion expenses		20,250	32,850
Ocean charges		41,936	425,732
Clearing and forwarding charges		55,860	91,535
		295,056	701,117

	Note	2016 Rupees	2015 Rupees
27 ADMINISTRATIVE EXPENSES			
Directors' remuneration		7,200,000	6,000,000
Staff salaries and benefits	**27.1**	6,232,796	5,948,179
Rent, rates and taxes		359,483	259,950
Traveling and conveyance		1,069,375	362,446
Electricity		779,992	791,503
Water and sewerage expense		2,439,199	1,403,318
Communication expenses		846,330	1,001,022
Printing and stationery		674,198	628,803
Repair and maintenance		991,637	779,744
Vehicle running and maintenance		1,234,513	1,240,445
Fees and subscriptions		555,994	589,980
Legal and professional charges		246,000	96,000
Auditors' remuneration	**27.2**	555,000	510,000
Newspapers and periodicals		12,247	11,804
Entertainment		635,030	927,729
Insurance		992,899	745,561
Zakat deducted at source		7,625	7,625
Depreciation	**15.1**	2,236,659	2,087,392
Miscellaneous	**27.3**	1,506,183	1,491,249
		28,575,160	24,882,750

27.1 Staff salaries and benefits includes Rs. 374,150 (2015: Rs. 403,350) in respect of staff gratuity.

27.2 Auditors' remuneration

The audit fee and remuneration for other services included in the financial statements is as follows:

	2016 Rupees	2015 Rupees
Amin, Mudassar & Co.		
Statutory audit	480,000	435,000
Half yearly review	60,000	55,000
Out of pocket expenses	15,000	20,000
	555,000	510,000

27.3 This includes Rs.310,000 (2015: Rs.792,845) donation paid during the year. No director or his/her spouse had any interest in the donee.

	2016 Rupees	2015 Rupees
28 OTHER OPERATING EXPENSES		
Workers' (Profit) Participation Fund	1,732,769	1,502,246
Workers' welfare fund	119,254	-
Exchange loss	-	66,349
	1,852,023	1,568,595

	Note	2016 Rupees	2015 Rupees

29 OTHER INCOME

	Note	2016 Rupees	2015 Rupees
Income from financial assets:			
Profit on bank deposits		14,371	20,578
Income from non-financial assets:			
Sale of scrap		1,533,050	1,121,845
Profit on disposal of fixed assets		754,001	460,000
Deferred income recognised	6	3,792,288	3,792,288
Exchange gain		85,349	-
		6,179,059	5,394,711

30 FINANCE COST

		2016 Rupees	2015 Rupees
Markup on:			
Lease finance		2,640,412	4,132,246
Short term borrowings		2,949,183	4,080,659
Interest on workers' (profit) participation fund		146,478	116,868
Bank charges and commission		367,576	765,985
		6,103,649	9,095,758

31 TAXATION

	Note	2016 Rupees	2015 Rupees
Income tax			
- Current	13	7,158,841	6,773,449
- Prior		684,775	380,041
		7,843,616	7,153,490
Deferred	8.4	(9,639,802)	8,364,750
		(1,796,186)	15,518,240

32 EARNING PER SHARE- BASIC AND DILUTED

		2016 Rupees	2015 Rupees
Profit for the year-Rupees		34,599,550	13,024,443
Weighted average number of ordinary shares outstanding during the year-Numbers		15,553,174	15,553,174
Earning per share -Rupees		2.22	0.84

33 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties have been disclosed in the relevant notes to the financial statements.

34 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive, working directors and executive of the company is as follows:

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
Basic salary	3,295,200	2,746,000	3,295,200	2,746,000	520,000	520,000
Re-imbursable expenses	304,800	254,000	304,800	254,000	-	-
	3,600,000	3,000,000	3,600,000	3,000,000	520,000	520,000
	1	1	1	1	1	1

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

The Chief Executive and Directors are also provided with free use of company maintained cars and residential telephones.

35 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities	**2016 Rupees**	**2015 Rupees**
Financial assets		
Loans and receivables		
Long term deposits	30,851,231	27,591,241
Trade debts	59,793,382	35,248,672
Security deposits	50,000	982,500
Accrued interest	6,914	9,022
Cash and bank balances	15,111,271	5,174,989
	105,812,798	69,006,424
Financial liabilities		
Financial liabilities at amortized cost		
Liabilities against assets subject to finance lease	20,742,660	30,790,807
Trade and other payables	120,310,781	61,816,102
Accrued interest and markup	664,168	908,354
Short term borrowings	94,931,357	62,361,863
	236,648,966	155,877,126

36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). Financial risk management is carried out under risk policies established and approved by the Board of Directors. The management administers all aspects of risk management involving currency and interest rate risk, and cash management, in accordance with the risk policy.

The company's exposure to financial risks, the way these risks affect revenues, expenses, assets, liabilities and forecast transactions of the company and the manner in which each of these risks are managed is as follows:

36.1 Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trades debts, advances and deposits, interest accrued, other receivables and margin on letter of guarantee. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2016 Rupees	**2015 Rupees**
Trade debts	59,793,382	35,248,672
Loans and advances	34,056,023	30,553,288
Interest accrued	6,914	9,022
Bank balances	14,965,241	5,044,407
	108,821,560	70,855,389

Geographically there is no concentration of credit risk.

Credit Quality of Financial Assets

Foreign trade debts are secured against confirmed letter of credit. The company has placed funds in financial institutions keeping in view credit ratings. The company assesses the credit quality of the counter parties as satisfactory. The company does not hold any collateral as security against any of its financial assets except foreign debtors, if any.

The aging of trade debts at the reporting date was:

	Gross 2016	**Gross 2015**
Upto 1 month	53,737,605	24,881,737
1 to 6 months	6,055,777	9,699,280
More then 6 months	-	667,655
	59,793,382	35,248,672

Cash at banks	Rating		Rating Agency	2016	2015
	Short Term	Long Term		-------Rupees------	
Habib Bank Limited	A-1+	AAA	JCR-VIS	1,691,355	159,585
National Bank Limited	A1+	AAA	PACRA	508,882	392,952
Mcb Bank Limited	A1+	AAA	PACRA	1,711,651	126,238
Bank Al Habib Limited	A1+	AA+	PACRA	510,838	241,178
Askari Bank Limited	A1+	AA+	PACRA	509,992	815,640
Bank Of Punjab	A1+	AA-	PACRA	134,696	152,907
Bank Islami Pakistan Limited	A1+	A+	PACRA	6,763	6,763
Bank Alflah Limited	A1+	AA	PACRA	1,661,312	930,877
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	146,717	304,172
Meezan Bank Limited	A-1+	AA	JCR-VIS	6,517,784	1,619,615
Allied Bank Limited	A1+	AA+	PACRA	207,410	151,889
Summit Bank Limited	A-1	A	JCR-VIS	1,357,842	142,591
				14,965,241	5,044,407

Credit Risk Management

In respect of trade receivables, the company does not have significant concentration of credit risk with a single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables balances and individually significant balances, along with collection activities are reported to the Board of Directors on a monthly basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis of confirmed letters of credit. These actions are also reported to the Board on a monthly basis.

36.2 Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	2016			
	Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
	R u p e e s			
Liabilities against assets subject to finance lease	20,742,660	22,519,700	10,742,660	10,000,000
Trade and other payables	143,952,048	143,952,048	143,952,048	-
Mark up accrued	664,168	664,168	664,168	-
Short term borrowings	94,931,357	94,931,357	94,931,357	-
	260,290,233	262,067,273	250,290,233	10,000,000

	2015			
	Carrying Amount	Contractual Cash Flows	Maturity upto one year	Maturity after one year
	R u p e e s			
Liabilities against assets subject to finance lease	30,790,807	37,848,673	10,048,147	20,742,660
Trade and other payables	81,276,391	81,276,391	81,276,391	-
Mark up accrued	908,354	908,354	908,354	-
Short term borrowings	62,361,863	62,361,863	62,361,863	-
	175,337,415	182,395,281	154,594,755	20,742,660

Liquidity Risk Management

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. Further, the company has the support of its sponsors in respect of any liquidity shortfalls.

36.3 Market Risk

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

36.3.1 Currency Risk

The company is exposed to currency risk in respect of export sales, imports and resulting balances that are denominated in a currency other than functional currency. The company's exposure to currency risk as at the reporting date is as follows:

	2016		2015	
	Rupees	**U.S. $**	**Rupees**	**U.S. $**
Trade debts	-	-	6,994,242	68,909
Trade and other payables	349,762	3,347	-	-
	349,762	3,347	6,994,242	68,909

The following significant exchange rates have been applied:

	Reporting date rate	
	2016	**2015**
U.S. Dollar to Rupee	104.5	101.5

Sensitivity analysis

At June 30, 2016, if Rupee had strengthened / weakened by 10% against U.S. Dollar with all other variables held constant, profit before taxation for the year would have been higher / (lower) by the amount shown below mainly as a result of foreign exchange gain / (loss) on translation of denominated financial liabilities and financial assets.

Effect on profit before taxation for the year:	**2016**	**2015**
	---- Rupees ----	
U.S. Dollar to Rupee	34,976	699,424

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

Foreign Currency Risk Management

Foreign currency risk arises mainly due to fluctuation in foreign exchange rates. The company also has transactional currency exposure. Such exposure arises from sales and purchases of certain materials by the company in currencies other than rupees. In appropriate cases, the management takes out forward contacts to mitigate risk where it is necessary.

36.3.2 Interest Rate Risk

The company is exposed to interest rate risk in respect of its variable rate instruments. A 100 basis points increase in variable interest rates would have decreased profit by Rs.386,654 (2015: decreased profit by Rs.473,500). A 100 basis points decrease in variable interest rate would have had an equal but opposite impact on profit. This sensitivity analysis is based on assumption that all variables, with the exception of interest rates, remain unchanged.

The effective interest / mark-up rates in respect of financial instruments are mentioned in respective notes to the financial statements.

36.3.3 Price Risk

The company is not exposed to any price risk as it does not hold any significant investments exposed to price risk.

36.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically repriced.

International Financial Reporting Standard 13, 'Financial Instruments : Disclosure' requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Currently there are no financial assets or financial liabilities which are measured at their fair value in the balance sheet.

36.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through long-term and short-term financing in addition to its equity. The Company has a gearing ratio of 51% (2015: 48%) as of the balance sheet date.

37 PROPOSED DIVIDEND

The Board of the Company have proposed a final dividend for the year ended June 30, 2016 of Rs. Nil (2015: Rs. Nil) per share amounting to Rs. Nil (2015: Rs. Nil).

38 PLANT CAPACITY AND ACTUAL PRODUCTION

	2016	2015
Cloth Processing		
Rated capacity (meters)	57,600,000	57,600,000
Actual processing (meters)	28,310,248	28,448,153
Percentage	**49.15%**	**49.39%**
Embroidery Processing		
Rated capacity (meters)	7,095,600	7,095,600
Actual processing (meters)	5,956,018	9,745,303
Percentage of utilization of rated capacity	**83.94%**	**137.34%**
No. of working days	313	313

Under utilization of available capacity is due to different mélange of cloth and stitches per meter of embroidery cloth available for processing and unsustained supply of electricity and sui gas.

39 OPERATING SEGMENT

39.1 These financial statements have been prepared on the basis of a single reportable segment.

39.2 All non-current assets of the company as at June 30, 2016 are located in Pakistan.

40 NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2016	2015
	(--------N u m b e r-------)	
Average number of employees during the year	323	308
Number of employees as at June 30,	337	307

41 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorized for issue on October 7, 2016 by the board of directors of the company .

42 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. During the current year, security deposits with WAPDA amounting Rs. 982,500 has been reclassified from short term security deposits (note no. 21) to long term deposits (note no. 16) for the purpose of better presentation. There is no other material rearrangement to report.

43 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

CHIEF EXECUTIVE **DIRECTOR**

Pattern of Shareholding

as at June 30, 2016

Number of shareholder			From	To		Shares held		
						Physical	CDC	Total
Physical	CDC	Total						
220	92	312	1	100	9634	9634	1,316	10,950
103	22	125	101	500	26306	26,306	5,784	32,090
28	6	34	501	1,000	20495	20,495	4,528	25,023
19	3	22	1,001	5,000	37812	37,812	7,507	45,319
1	1	2	5,001	10,000	9680	9,680	8,000	17,680
1	-	1	10,001	15,000	10900	10,900		10,900
-	-	0	25,001	35,000	0			-
2	1	3	40,001	45,000	82204	82,204	41,500	123,704
-	1	1	45,001	50,000	0	-	50,000	50,000
2	1	3	60,001	65,000	211698	211,698	63,000	274,698
-	-	0	100,001	110,000	0	-	-	-
5	-	5	110,001	120,000	3303516	3,303,516	-	3,303,516
-	-	0	200,001	210,000	0	-	-	-
-	-	0	300,001	350,000	0	-	-	-
1	-	1	2,000,001	2,100,000	2304588	2,304,588	-	2,304,588
1	-	1	2,300,001	2,400,000	3979144	3,979,144	-	3,979,144
1	-	1	3,500,001	4,000,000	5375562	5,375,562	-	5,375,562
	-	0	5,000,001	5,500,000			-	-
384	127	511				15,371,539	181,635	15,553,174

	Categories of Shareholders	Number	Number of Shareholders	Percentage share held
1	**Directors, Chief Executives, their spouse and minor children**			
i	Sh. Faisal Tauheed Puri	1	5,375,562	34.56
ii	Sh. Kashif Tauheed Puri	1	4,020,644	25.85
iii	Sh. Tauheed Ellahi Puri	1	107,500	0.69
iv	Mrs.. Shahida Tauheed	1	115,098	0.74
v	Mrs. Saima Shahid	1	350,000	2.25
vi	Mrs.. Amna Kamran	1	350,000	2.25
vii	Mrs.. Sadia Kamran	1	205,427	1.32
viii	Mrs. Samira Faisal	1	2,304,588	14.82
ix	Mrs.. Tahira Kashif	1	2,061,639	13.26
x	Mr. Yasir Munir	1	2,500	0.02
xi	Sh. Mustafa Tauheed	1	40,776	0.26
xii	Sh. Mahad Kashif	1	41,428	0.27
Total		12	14,975,162	96.3
2	**Executives**	**-**	**-**	-
3	**Associated Companies, Undertaking & Related Parties**	**-**	**-**	-
4	**Investment Corporation of Pakistan**	**1**	**900**	0.01
5	**Mutual Funds**	**-**	**-**	-
6	**Banks, NBFC's, DFI's, Takaful, Pension Funds**	**-**	**-**	-
8	**Insurance Companies**	**1**	**20**	0.00
9	**Joint Stock Companies, Corporate Bodies, Trust etc.**	**5**	**46,366**	0.30
10	**General Public**	**488**	**467,135**	3.00
11	**Others**	**4**	**63,591**	0.41
GRAND TOTAL		511	15,553,174	100

Shareholders more than 5% shareholding

i	Sh. Faisal Tauheed Puri	1	5,375,562	34.56
ii	Sh. Kashif Tauheed Puri	1	4,020,644	25.85
iii	Mrs. Samira Faisal	1	2,304,588	14.82
iv	Mrs. Tahira Kashif	1	2,061,639	13.26

Summary of Last Six Years Financial Results

Description	2015	2015	2014	2013	2012	2011
Trading Results						
Turnover	709,705,001	671,950,183	588,619,243	522,512,061	502,965,825	365,110,217
Gross Profit	63,450,193	59,396,192	49,380,110	39,790,051	31,584,767	21,335,044
Operating Profit (Loss)	38,907,013	37,638,441	26,343,892	20,524,794	14,073,103	6,548,925
Profit/(Loss) before taxation	32,803,364	28,542,683	21,632,410	15,585,123	9,197,648	1,699,799
Profit/(Loss) after taxation	34,599,550	13,024,443	8,980,538	7,831,660	4,167,990	(2,232,525)
Balance Sheet						
Shareholders equity	155,531,740	155,531,740	155,531,740	11,109,410	11,109,410	11,109,410
Unappropriated profit/(loss)	73,183,211	38,561,081	25,021,743	18,969,456	11,137,796	6,969,806
Tangible fixed assets	716,605,630	387,258,041	355,486,469	330,811,041	324,912,958	167,446,255
Significant Ratios:						
Gross Profit %	8.94	8.84	8.39	7.62	6.28	5.84
Current Ratio	0.99	1.10	1.34	1.39	1.06	1.04
Earning per share	2.22	0.84	3.88	7.05	3.75	(2.01)

FORM OF PROXY

Folio No.

I/WE ______________________________

Of ______________________________

Being a member of The National Silk & Rayon Mills Limited hereby appoint ______________________________

(Name)

Of ______________________________

(Another member of the) failing him ______________________________

(Name)

Of ______________________________

(Another member of the Company) to attend, act and vote for me and on my/our behalf at the 66th Annual General Meeting of the Company to be held on Monday, 31st day of October 2016 at 3.00 p.m. Faletti's Hotel 24, Egerton Road, Lahore and at any adjournment thereof.

As witness my/our hand(s) this ______________ day of ______________ 2016

Signature on
Revenue Stamp
of Correct Value

(Signature should agree with the specimen
Signature registered with the Company)

Date: ______________

NOTE:
Proxy form must be signed across a correct value Revenue Stamp and it should be deposited in the Registered Office of the company not later than 48 hours before time of holding the meeting.