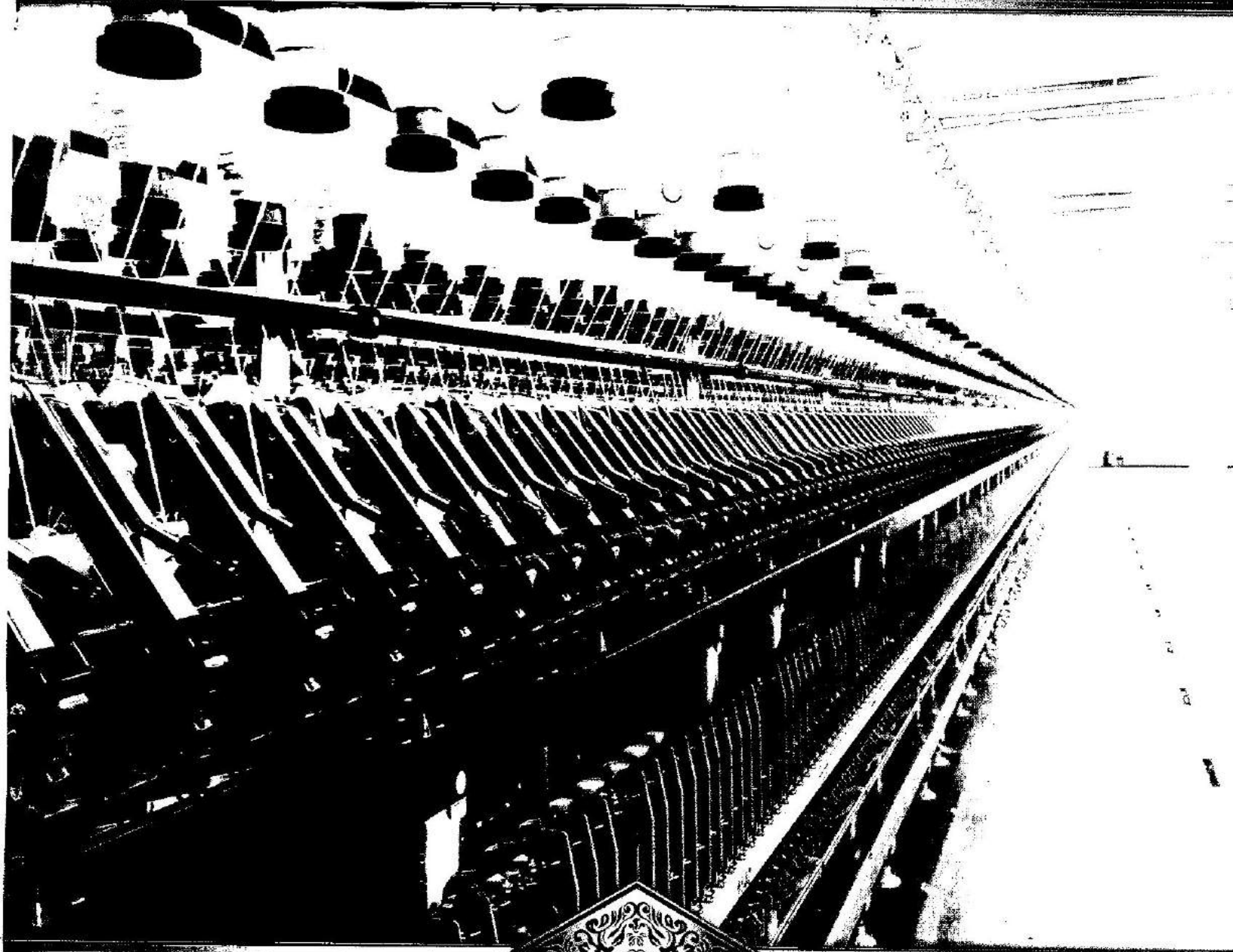




Kohinoor
Spinning Mills Limited



ANNUAL REPORT 2016

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COMPANY INFORMATION**BOARD OF DIRECTORS**

Mr. Muhammad Naveed	(Chief Executive)
Khawaja Muhammad Jawed	(Director)
Khawaja Muhammad Jahangir	(Director)
Khawaja Muhammad Tanveer	(Director)
Khawaja Muhammad Kaleem	(Director)
Khawaja Muhammad Nadeem	(Director)
Mr. Muhammad Hamza Yousaf	(Director)
Mr. Muhammad Tariq Sufi	(Independent Director)

AUDIT COMMITTEE

Khawaja Muhammad Jahangir	(Chairman)
Khawaja Muhammad Kaleem	(Member)
Khawaja Muhammad Nadeem	(Member)

HR & REMUNERATION COMMITTEE

Khawaja Muhammad Kaleem	(Chairman)
Khawaja Muhammad Nadeem	(Member)
Mr. Muhammad Naveed	(Member)

CORPORATE SECRETARY

Hasan Ahmed Khan	ACA
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CHIEF FINANCIAL OFFICER

Mr. Muhammad Saeed Zafar	M.B.A
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BANKERS

Habib Metro Bank Limited
MCB Bank Limited
National Bank of Pakistan
Allied Bank of Pakistan
Meezan Bank Limited
Askari Bank Limited
Saudi Pak Industrial & Agricultural Investment Company Limited

AUDITOR

Nasir Javaid Maqsood Imran
Chartered Accountants
Office # 12 & 13, 3rd Floor, Fazal Arcade,
F-11 Markaz, Islamabad, Pakistan

CORPORATE & REGISTERED OFFICE

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

SHARE REGISTRARS

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

MILLS

Unit I & II
Aminabad, Chakwal
Tel : (0543) 644254 - 644281

Unit III
Yousaf Nagar, Bhoun Road,
Chakwal.
Tel: (0543)452070-71

DIRECTORS' PROFILE**Khawaja Muhammad Jawed:**

Khawaja Muhammad Jawed, a legendary businessman, is the Chairman / executive director of the Company and is widely respected in the business community due to his wisdom and vision. He has more than 40 years' experience in textile spinning, weaving, cement, polyester, and banking sector. His role in the company is mainly to give strategic direction and take policy decision.

Khawaja Muhammad Jahangir:

He is serving as a non-executive director on the Board of the Company and has more than 35 years' diversified experience in business and industry especially in Fiber and Textile Spinning. Also, he holds the slot of Chief Executive Officer in Chakwal Spinning Mills Limited (a sister concern of the company). He is the Chairman of Audit Committee of the Company.

Khawaja Muhammad Tanveer:

Serving as an non-executive director on the Board of the Company, his prime responsibility is to look after the administrative matters arising in plant sites of the Company. With more than 25 years' rich business and industry experience, he is also a renowned participant in many social and welfare activities.

Khawaja Muhammad Kaleem:

Khawaja Kaleem is serving in the capacity of non-executive director on the Board of the Company with more than 35 years' diversified experience in various business and industry sectors including Textile Spinning, Cement & Fiber industries. He is energetically involved in the implementation of the company policies and monitors the performance of the all group companies. He is also the Chairman of HR and Remuneration Committee.

Khawaja Muhammad Nadeem:

Mr. Nadeem completed his business graduation from USA and is on the board of the company as a non-executive director and a member of Audit, HR and Human Resource Committees of the Company. With more than a decade experience in the lines of spinning and weaving textile sectors, he is mainly involved in routine business operations including production, marketing and finance activities of Yousaf Weaving Mills Limited (a sister concern of the company) where he hold the position of Chief Executive officer.

Mr. Muhammad Naveed:

Mr. Naveed did his Graduations from the reputed institution of USA. With vast business experience in Fibers, Textile Spinning, Cement and banking sectors, he is leading the company as chief Executive Officer and executive director since 2004. He is also a member of HR and Remuneration Committee of the Company.

Mr. Muhammad Hamza Yousaf:

He is serving as a non-executive director and been with the company since 2009. Having done his Masters in Marketing and Strategy from United Kingdom and with extra skills of negotiation, he markets the product well. He has been delegated the responsibilities of supervision of all matters concerning to Unit-2 of the Company.

Mr. Muhammad Hamza Yousaf, has also completed directors training program during the year through Institute of Chartered Accountants of Pakistan duly approved by the SECP as required in terms of code of corporate Governance.

Mr. Muhammad Tariq Sufi:

Mr. Sufi is an independent director of the company and recently elected in the EOGM held on September 10, 2014 in accordance with the requirements of code of corporate Governance. He has excellent experience in textile spinning particularly in the area of store / inventory management. Therefore, we have high expectations from him and expect him to become an intangible asset of the company in near future.

VISION

A TEXTILE COMPANY THAT CATERS TO THE CLOTHING
NEEDS OF EVERYONE

MISSION

Kohinoor Spinning Mills Limited is a yarn manufacturing company
dedicated to provide premium quality yarn products to
the customers who value quality the most.

We intend to make profit to generate a sufficient return
for our investors.

We also maintain a friendly, fair and creative work environment,
which inculcates diversity, new ideas and diligence.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 44th Annual General Meeting of **KOHINOOR SPINNING MILLS LIMITED** will be held on Friday, December 30, 2016 at 10:00 a.m. at 11-E Main Gulberg, Lahore to deal with the following matters:-

ORDINARY BUSINESS:

1. To confirm the minutes of last AGM held on January 31, 2016.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2016 together with the reports of directors and auditors thereon.
3. To appoint auditors for the year ending June 30, 2017 and to fix their remuneration.
4. **SPECIAL BUSINESSES:**

To consider and if deem fit to pass the following resolutions as special resolutions, with or without modification, addition(s) or deletion(s):

- (i). Resolved that the Company be and is hereby authorized to raise the paid up capital from Rs. 650 million to Rs. 800 million by issuing 30,000,000 ordinary shares of Rs. 5/- each at Rs. 10/-(at premium of Rs. 5/-) to the directors Khawaja Muhammad Naveed and Khawaja Muhammad Kaleem without indulging in the exercise of Right Issue to the existing members in accordance with the provisions of Section 83 (1) of the Companies Ordinance, 2016 (Section 86(1) of repealed Companies Ordinance 1984) subject to the approval of SECP, Government of Pakistan and such shares to rank pari passu with existing shares of the Company in all respects.

Further resolved that the Chief Executive and Company Secretary be and are hereby authorized to apply for all requisite regulatory approvals and to do all such other acts and things as may be deemed necessary in this regard.

- (ii). Resolved that pursuant to Section 38 and other applicable provision, if any, of the Companies Ordinance 2016 (Section 28 and other applicable provisions, if any, of the Repealed Companies Ordinance, 1984) and any other law(s), Articles of Association of the Company be and are hereby amended by inserting new Articles 72-A and 72-B immediately after the existing Article 72 to read as under;

72-A. A member may opt for E-voting in a general meeting of the Company under the provisions of the Companies (E-Voting) Regulations, 2016, as amended from time to time. In the case of E-voting, both members and nonmembers can be appointed as proxy. The instruction to appoint execution officer and option to e-vote through intermediary shall be required to be deposited with the Company, at least ten (10) days before holding of the general meeting, at the Company's registered office address or through email. The Company will arrange E-voting if the Company receives demand for poll from at least five (5) members or by any member or members having not less than one tenth (1/10) of the voting power.

72-B. An instrument of proxy in relation to E-voting shall be in the following form:

I/We, _____ of _____ being a member of the _____, holder of _____ share(s) as per register Folio No. / CDC Account No. _____ hereby opt for E-voting through Intermediary and hereby consent the appointment of Execution Officer _____ as proxy and will exercise E-voting as per The Companies (E-voting) Regulations, 2016 and hereby demand for poll for resolutions. My secured email address is _____, please send login details, password and electronic signature through email.

Signed in the presence of;

Signature of Witness

CNIC No _____

Signature of Member

CNIC No _____

Signature of Witness

CNIC No _____

Further Resolved that the Chief Executive Officer or Company Secretary be and is hereby authorized to do all acts, deed and things, take all steps and action necessary, ancillary and incidental for altering the Articles of Association of the Company including filing of all requisite documents / statutory forms as may be required to be filed with the Registrar of Companies and complying with all other regulatory requirements so as to effectuate the alterations in the Articles of Association and implementing the aforesaid resolution.

5. To transact any other business which may be brought forward with the permission of the Chair.

BY ORDER OF THE BOARD

Lahore:
December 02, 2016

HASSAN AHMAD KHAN
Company Secretary

BOOK CLOSURE

The Member's Register will remain closed from December 23, 2016 to December 30, 2016 (both days inclusive).

NOTES:

1. A member entitled to attend the meeting may appoint another member as his/her proxy to attend the meeting of him/her behalf. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.
2. The beneficial owner of the shares of the company in the central depository system of the CDC or his/her proxy entitled to attend this meeting shall produce his/her original CNIC or passport to prove the identity. CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.
3. Transfer received in order by the close of business hours on December 22, 2016 will be treated in time. The same or any change in address, if any, alongside valid copy of CNIC for filing annual return of company be sent to our share registrar M/s Corp link (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel. 042-35839182.
4. In terms of SECP,s SRO 787(1)/2014, members can now receive audited financial statements alongside notice of AGM electronically through email. Therefore members (physical or CDC shareholders) who are interested in receiving the same are required to send their email addresses and consent for electronic transmission to share registrar of the company or directly to their broker(participant)/CDC investor account services, as the case may be.
5. The company has also placed the audited financial statements for the year ended 30-6-2016 alongside directors and auditor's report thereon on its website <http://www.chakwalgroup.com/kohinoorspinningmillsLtd/home.php>.

STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ORDINANCE 2016 (SECTION 160 (1) (b) OF THE REPEALED COMPANIES ORDINANCE, 1984)**1. Issuance of Shares Otherwise Than Right Issue**

The Board of directors (The "Board") of Kohinoor Spinning Mills Limited (the "Company") at their meeting held on December 02, 2016 has decided to increase paid up capital of the Company by Rs. 150 million by issuance of further ordinary shares of 30 million by conversion of Directors' Loan of Rs. 300 million out of total loan of Rs.700 million as appearing in the audited accounts for the year ended June 30, 2016. Total increase in equity capital would be Rs. 300 million as 30 million shares would be issued at a premium of Rs. 5/- per share. The Company is facing liquidity crisis due to continuous losses affecting the repayment capacity towards its creditors.

The management is of the opinion that in the presence of continuous losses, neither the existing members will opt for further issue of right shares nor the management has further funds at their disposal to inject in the Company except the two members (Khawaja Muhammad Naveed and Khawaja Muhammad Kaleem) who are also the directors and have already invested in the Company through directors' interest free loan. They have given their consent to convert their loan into equity. Further in case of issuance of right shares no Company/Financial Institution would agree to underwrite the unsubscribed shares of this loss making Company. Under the circumstances there is no way out for the management to increase the paid up capital except by conversion of Directors' loan into equity and only then the better equity will enable the banks to provide loan to the Company. If we do not avail this option, further expected erosion of equity would be detrimental to the interest of minority shareholders and the Company. Also, it would cast further doubts about the Company as a going concern and banks would not find it lucrative to invest further in the Company. The management believes that if this loan conversion into equity arrangement is approved by the Securities & Exchange Commission of Pakistan (SECP), the Company will positively revert to the profitability and is expecting better future prospects for the Company. Other relevant information is as below:

- i) Shares shall be issued to the Chief Executive of the Company Khawaja Muhammad Naveed (17,800,000 ordinary shares) and Director Khawaja Muhammad Kaleem (12,200,000 ordinary shares);
- ii) Market price of share is Rs. 7.50 as of today;
- iii) The directors' loan is Rs. 700 million till 30th June 2016 while 30 million shares will be issued to the above named directors of the Company;
- iv) Present shareholding of the sponsoring directors is 70.35% (as per latest available data) and after the proposed allotment of shares it will be 75.91%;
- v) Completion of procedural process of SECP will be the cut-off date;
- vi) Existing authorized capital of the Company is 300 million shares of Rs. 5/- each. Existing paid-up capital is 130 million shares of Rs. 5/- each;
- vii) All directors (including named in (i) above) have consented for conversion of loan and issuance of shares otherwise than right;
- viii) The directors Khawaja Muhammad Naveed and Khawaja Muhammad Kaleem are interested in proposed transaction to the extent of shares to be issued to them in lieu of repayment of their loan.
- ix) The directors have 70.35% shareholding in the Company. Shares are very nominally traded in the market. Therefore, the issuance of shares otherwise than right at premium of Rs. 5/- per share to the directors will not affect the rights of other shareholders.

2. To amend Articles of Association of the Company to facilitate E-voting in general meetings of the Company in compliance with the requirements of The Companies (E-voting) Regulations, 2016

The Board of Directors of the Company in their meeting held on December 02, 2016 recommended to amend Articles of Association of the Company in compliance with the requirements of The Companies (E-voting) Regulations 2016 in order to allow members of the Company to opt for E-voting in a general meeting of the Company in compliance with the requirements of the Companies (E-Voting) Regulations, 2016, as amended from time to time. In the case of E-voting, both members and non-members can be appointed as proxy. The instruction to appoint execution officer and option to e-vote through intermediary shall be required to be deposited with the Company, at least ten (10) days before holding of the general meeting, at the Company's registered office address or through email. The Company will arrange E-voting if the Company receives demand for poll from at least five (5) members or by any member or members having not less than one tenth (1/10) of the voting power. The Directors of the Company have no interest, directly or indirectly in the above business.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of your Company have the pleasure in presenting to you the annual results for the year ended 30 June 2016.

Financial Performance:

Your Company has incurred after tax loss of Rs. 466.025 million as compared to after tax loss of Rs. 289.683 million for the corresponding last year. This year proved to be one of the worst for Pakistan spinning industry. Absence of yarn demand in export markets, ever fluctuating raw material prices, imposition of innovative taxation on energy sector and less availability of electricity as compared to the corresponding last year are main causes of this adverse result.

Sales have decreased from Rs. 6,052 million in 2015 to Rs. 4,139 million in the current year (a decrease of whopping 46.20%). Sales were reduced mainly due to decrease in raw material prices and lower yarn production resulting in lower yarn prices and lower quantity of yarn sold due to absence of yarn demand and non-viability of higher yarn sale volume. Export sales have decreased by 57.43% this year showing a glimpse of pathetic yarn export market. Similarly, gross profit of last year turned into gross loss this year (i.e. from gross profit of 5.48% in 2015 to gross loss of 0.46% in 2016). The management has tried its best to keep administrative expenses under control resulting in 6% reduction as compared to the corresponding last year. Finance cost has decreased by 33.46% mainly due to reduction in base rate by State Bank of Pakistan.

(Loss) Per Share (EPS):

The Basic loss per share (EPS) of the Company for the year 2016 remained at Rs. 3.58 (2015: earning per share was Rs. 2.23). There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitment.

Major Risks and Risk Management:

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. Following is the detail of major risks and our policies to mitigate these risks:

a) Fluctuation In Cotton Prices

Cotton is our major raw material. Fluctuation in cotton prices have always been a major risk for a spinning unit. Cotton prices depend on many factors like demand and supply, prices in international market, flood situation in the country, hoarding etc. Though ginned cotton is available throughout the year, best cotton is available in cotton season only. The Company mitigates this risk by procuring cotton when market takes a dip. Also, we spread our procurement throughout the year in a way that maximum cotton is procured in peak season. Similarly, we book yarn only to the extent of cotton available in our godowns.

b) Yarn Demand and Supply

At our Unit-3, we manufacture stretch and super stretch yarn. This is value-added yarn with better margins. However, demand of this yarn is seasonal. It is very difficult to dispose of this yarn in off-peak season. We mitigate this risk by reducing our stretch and super stretch yarn production accordingly. In recent years, we have seen a dwindling demand for conventional yarn as well. We mitigate this risk by curtailing our yarn production.

c) Exchange Risk

The Government of Pakistan has artificially kept Pak rupee at on higher side as compared to other foreign currencies. This resulted in lowest ever yarn demand in export market. We remained at a disadvantage in open market competition as almost all our neighboring countries have devalued their currencies. We exchange risk by diverting our export sale portion in local market. Also, we do not heavily book export order.

d) Energy Pricing and Availability

Electricity and gas load shedding is one of the major crisis. To avoid gas load shedding, the Company has opted for liquefied natural gas (LNG). However, the Government is increasing its prices on one pretext or the other like un-accounted for gas (UFG) losses, rise in international market price of oil etc. Similarly, WAPDA supply is erratic, though currently we are facing no WAPDA load shedding. The rate of electricity should be brought down to Rs 7/kWh (currently it is Rs. 11-12/kWh) and the rate of gas should be brought below Rs 600/MMBTU inclusive of all taxes, surcharges or cess (Currently it is Rs. 877/MMBTU exclusive of all taxes, surcharges or cess). The gas tariff in Bangladesh is USD 3/MMBTU, in India it is USD 4.2/MMBTU while in Vietnam it is USD 4.5/MMBTU. We have diesel generators as a third source of energy at our unit-3.

e) Interest Rate Risk

Though State Bank of Pakistan (SBP) has kept discount rate at the lowest rates of history, any upward shift in interest rate would affect our results badly. Economic indicators are monitored to better understand the interest rate trend.

Future Outlook:

Global trade without any quota restrictions has created opportunities for developing and emerging economies. Some countries availed this opportunity and consolidated their exports whereas others failed to take advantage. Pakistan was among the latter category. India, Bangladesh, Cambodia, and Vietnam doubled their exports. Pakistan's share in world textile and clothing exports of \$718 billion has decreased from 2.2 percent in 2006 to 1.7 percent in 2015, whereas Bangladesh exports have increased to 4.25 percent from 1.90 percent, India 4.84 percent from 3.4 percent, Vietnam 3.88 percent from 1.25 percent and in the case of China to 34 percent from 27 percent. To make matters worse, due to continued decline in exports the trade deficit in the first quarter this fiscal year has reached an alarming level of \$7 billion. The workers' remittances also fell by 5pc in the first quarter.

In our case, lower trends in exports are the results of both supply and demand side factors. On supply side, structural impediments in commodity producing sector, higher cost of production, low level skill and in-competitiveness have hurt our exports. Investment in exporting sectors has remained disturbingly low, as a cut-throat competition with countries like Vietnam and Bangladesh has given tough time to our exports. On the demand side, the major factor impeding our exports growth is the slump in the economies of major trading partners, like China and the EU. To enhance exports the government is expected to announce a huge bailout package of over Rs175 billion for the textile industry aimed at supporting the exporters of textile products. The textile package has been prepared keeping in view the country's overall falling exports, which dropped to \$20 billion from \$24 billion within two years with a major decline in shipments of textile products.

Due to continuous losses, our Company has been facing serious cash flow issues. The profitability of yarn is also on the lowest side. If same situation prevails, our equity would be eroded completely. To avoid this untoward situation, we are trying to inject funds through different sources.

Meetings of the Board of Directors:

During the year under review, four meetings of the Board of Directors of the Company were held in Pakistan and the attendance position is as follows:

Sr.#	Names	Meetings Attended
1.	Khawaja Muhammad Javed	4
2.	Muhammad Naveed	4
3.	Khawaja Muhammad Jahangir	4
4.	Khawaja Muhammad Tanveer	4
5.	Khawaja Muhammad Kaleem	4
6.	Khawaja Muhammad Nadeem	4
7.	Muhammad Hamza Yousaf	4
8.	Muhammad Tariq Sufi	4

Board Committees:

Audit Committee

The audit committee is performing its duties in line with its terms of reference as determined by the Board of Directors. During the year under review, four meetings of the Audit Committee of the Company were held and the attendance position is as follows:

Sr.#	Names	Meetings Attended
1.	Khawaja Muhammad Jahangir	4
2.	Khawaja Muhammad Kaleem	4
3.	Khawaja Muhammad Nadeem	4

HR & Remuneration Committee

The HR & Remuneration committee is performing its duties in line with its terms of reference as determined by the Board of Directors. During the year under review, only one meeting of the HR & Remuneration Committee of the Company was held and the attendance position is as follows:

Sr.#	Names	Meeting Attended
1.	Khawaja Muhammad Kaleem	1
2.	Khawaja Muhammad Nadeem	1
3.	Muhammad Naveed	1

Transactions with Related Parties:

Transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with best practices on Transfer Pricing as contained in the Listing Regulations of Pakistan Stock Exchange Limited.

Auditors:

The present auditors of the Company have completed the annual audit for the year ended 30 June 2016 and have issued an unqualified audit report. The auditors will retire on conclusion of the Annual General Meeting of the Company, and being eligible; have offered themselves for reappointment for the year ending 30 June 2017.

Pattern of Shareholding:

The pattern of shareholding as on 30th June 2016 and its disclosures as required in the Code of Corporate Governance is annexed with this report.

Corporate Social Responsibility:

The Company is fully aware of corporate social responsibilities and supports the social sector in terms of donations in addition to employees' welfare like medical facilities, group life insurance and fair price shops facilities at subsidized rates.

Acknowledgement:

The Board is pleased with the continued dedication and efforts of the employees of the Company. For and on behalf of the Board of Directors.

For and on behalf of the Board

Lahore
December 02, 2016

Mr. Muhammad Naveed
Chief Executive Officer

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2016 کے اختتام شدہ مالی سال کے نتائج خوشی پیش کرتے ہیں۔

مالیاتی کارکردگی

آپ کی کمپنی کو پچھلے سال کے 289.68 ملین روپے بعد از ٹیکس خسارے کے مقابلے میں اس سال 466.025 ملین روپے بعد از ٹیکس خسارہ ہوا ہے۔ یہ سال پاکستان کی دھماگے کی صنعت کے لیے بدترین سالوں میں سے ایک ہے۔ برآمدی منڈی میں دھماگے کی طلب کی عدم موجودگی، خام مال کی تیز بلدی قیمتیں، شعبہ توانائی پر مختلف النوع ٹیکسوں کا لاگو ہونا اور بجلی کی رسد میں کمی اس سال پچھلے سال کے مقابلے میں اس سختی نتیجے کی وجہ ہے۔

اس سال کی فروخت پچھلے سال کی 6052 ملین روپے کی فروخت کے مقابلے میں 4139 ملین روپے پر آگئی ہے (46.2% کمی کے ساتھ)۔ فروخت میں کمی کی وجہ خام مال کی قیمتوں میں کمی اور دھماگے کی کم پیداوار جس کی وجہ سے دھماگے کی قیمتوں میں کمی آئی اور دھماگے کی کم تعداد میں فروخت کی وجہ دھماگے کی طلب میں کمی اور دھماگے کی بڑے حجم میں فروخت کا منافع بخش نہ ہونا تھی۔

برآمدی فروخت میں 57.43% کی کمی انتہائی غیر معمولی برآمدی منڈی کی جھلک پیش کرتی ہے۔ اسی طرح پچھلے سال کا مجموعی منافع اس سال کے مجموعی خسارے میں بدل چکا ہے (2015 کے 5.48% مجموعی منافع سے 2016 کے 0.46% مجموعی خسارے میں)۔

مختطفین نے انتظامی اخراجات کو کم رکھنے کی ہر ممکن کوشش کی ہے۔ جس کے نتیجے میں یہ پچھلے سال کے مقابلے میں اس سال 6% کم رہے۔ مالی اخراجات میں 33.46% کمی واقع ہوئی جس کی بڑی وجہ سیٹ جنک کی بنیادی شرح میں کمی ہے۔

فی حصہ خسارہ

کمپنی کا فی حصہ خسارہ 2016 میں 3.58 روپے رہا (2015: فی حصہ خسارہ 2.23 روپے)۔ کمپنی کے بنیادی فی حصہ منافع میں تبدیلی کا اثر نہیں ہے کیونکہ کمپنی کی کوئی ایسی وابستگی نہیں ہے۔

اہم ریسک اور رسک مینجمنٹ

کمپنی کے ریسک مینجمنٹ فریم ورک کے قیام اور نگرانی کی مجموعی ذمہ داری بورڈ آف ڈائریکٹرز پر ہے۔

اہم ریسکس کی تفصیل اور ان کو کم کرنے کی ہماری پالیسی مندرجہ ذیل ہے۔

(ا) روٹی کی قیمتوں میں اتار چڑھاؤ

روٹی ہمارا اہم خام مال ہے۔ روٹی کی قیمتوں میں اتار چڑھاؤ دھماگے کے کارخانے کے لیے ایک اہم ریسک ہے۔ روٹی کی قیمتیں بہت سے عوامل پر منحصر ہیں۔ جیسے کہ طلب اور رسد، بین الاقوامی منڈیوں میں قیمتیں، ملک میں سیلاب کی صورت حال، ذخیرہ اندوزی وغیرہ۔ اگرچہ روٹی سارا سال دستیاب رہتی ہے مگر اچھی روٹی صرف موسم میں ہی دستیاب ہوتی ہے۔ کمپنی اس ریسک کو مندرجے کے ذریعے روٹی کی خرید کر کے کم کرتی ہے۔ علاوہ ازیں، ہم روٹی کی خرید کو سال میں اس طرح سے کرتے ہیں کہ زیادہ سے زیادہ خرید کم سے کم قیمت پر ہو جائے۔ اسی طرح ہم دھماگے کے سودے صرف اپنے گودام میں موجود روٹی کے حساب سے ہی کرتے ہیں۔

(ب) دھماگے کی طلب اور رسد

ہم اپنے تمام پریکٹس پر سٹریٹجی اور پریکٹس ڈھماگا بناتے ہیں۔ یہ دھماگا زیادہ منافع کا حامل ہے۔ تاہم اس دھماگے کی طلب موسمی ہے۔ غیر موسمی حالات میں اس دھماگے کو پچھتاہٹ مشکل ہے۔ اس ریسک کو ہم موسم کے حساب سے دھماگے کی پیداوار کم یا زیادہ کر کے کرتے ہیں۔ گزشتہ سالوں میں روایتی دھماگوں کی طلب میں کمی کی دیکھنے میں آئی ہے۔ ہم اس ریسک کو دھماگے کی طلب کے حساب سے پیداوار کم یا زیادہ کر کے کرتے ہیں۔

(ج) کراچی ریسک

حکومت پاکستان نے مصنوعی طور پر پاکستانی روپے کی قدر کو دوسری کرنسیوں کی قدر کے مقابلے میں زیادہ رکھا ہوا ہے۔ اس کی وجہ سے برآمدی منڈی میں دھماگے کی طلب کم ترین سطح پر پہنچ چکی ہے۔ عالمی منڈی میں مسابقتی لحاظ سے ہم نقصان میں رہے کیونکہ ہمارے ہمسایہ ملک نے اپنی کرنسیوں کی قدر میں کمی کی۔ ہم برآمدی فروخت کو مقامی فروخت میں بدل کر کراچی ریسک کو کم کرتے ہیں اور ہم بہت بڑے برآمدی سودے نہیں کرتے۔

(د) توانائی کی قیمت اور دستیابی

بجلی اور گیس کی لوڈ شیڈنگ ایک اہم مسئلہ ہے۔ گیس کی لوڈ شیڈنگ سے بچنے کے لیے کمپنی نے قدرتی نایع گیس (LNG) کی طرف رجوع کیا ہے۔ تاہم حکومت ایک یا دوسرے طریقے سے قیمتیں بڑھا رہی ہے جیسے کہ غیر حسابی گیس کے نقصانات، بین الاقوامی منڈی میں تیل کی بڑھتی ہوئی قیمتیں وغیرہ۔ اسی طرح واپڈا کی بجلی فراہمی میں تسلسل نہیں پایا جاتا تاہم ابھی واپڈا کی لوڈ شیڈنگ نہیں ہو رہی۔

بجلی کا ریٹ 7/kWh نیچے آنا چاہیے (ابھی یہ 11-12/kWh روپے ہے)۔ اور گیس کا ریٹ 600/MMBTU روپے بشمول تمام ٹیکس، سرچارج یا سیس، سے نیچے لانا چاہیے (ابھی یہ 877/MMBTU روپے بغیر ٹیکس، سرچارج اور سیس ہے)۔

بلگڈیش میں گیس کی قیمت 3/MMBTU ڈالر ہے، اٹلی میں 4.2/MMBTU ڈالر جبکہ ویٹنام میں 4.5/MMBTU ڈالر ہے۔ ہمارے 3 نمبر یونٹ پریڈنل ہنزہ پاور پراجیکٹ کے ذریعے استعمال ہو رہے ہیں۔

(س) شرح سود کا ریسک

اگرچہ سیٹ بینک نے ڈیٹا کنٹریٹ کو تاریخ کی کم ترین سطح پر رکھا ہے، مگر شرح سود میں کوئی بھی اضافہ ہمارے نتائج کو بری طرح متاثر کر سکتا ہے۔ شرح سود کے رجحانات کو بہتر طریقے سے سمجھنے کے لیے اقتصادی اعداد و شمار کو مد نظر رکھا جاتا ہے۔

مستقبل کے امکانات

بغیر کوہ کے بین الاقوامی تجارت نے ابھرتی ہوئی معیشتوں کے لیے مواقع پیدا کیے ہیں۔ کچھ ملک نے ان مواقع سے فائدہ اٹھایا ہے اور اپنی برآمدات میں اضافہ کیا ہے۔ جبکہ باقی اس سے محروم رہے۔ بدقسمتی سے پاکستان دوسری قسم میں موجود ہے۔ جبکہ اٹلی، بلگڈیش، کمبوڈیا اور ویٹنام نے اپنی برآمدات دوگنا کر لی ہیں۔ بین الاقوامی ٹیکسٹائل برآمدات جو کہ 17 ارب ڈالر ہیں میں پاکستان کا حصہ 2006 میں 2.2% سے 2015 میں 1.7% تک کم ہو گیا ہے۔ جبکہ

بلگڈیش کی برآمدات 1.9% سے 4.25% تک پہنچ گئی ہیں۔ اٹلی 3.4% سے 4.84%، ویٹنام 1.25% سے 3.88% اور کمبوڈیا کی برآمدات 27% سے 34% تک پہنچ گئی ہیں۔ اس سے بڑھ کر یہ کہ مسلسل گرتی ہوئی برآمدات کی وجہ سے اس سال کی سرمایہ کار تجارتی خسارہ 17 ارب ڈالر تک پہنچ چکا ہے۔ مزدوروں کو ترسیلات زر بھی سرمایہ میں 5% گرتی گئی۔

یورڈ کے اجلاس

4 دفعہ	خواجہ محمد یادی
4 دفعہ	محمد نوید
4 دفعہ	خواجہ محمد چغتای
4 دفعہ	خواجہ محمد تنویر
4 دفعہ	خواجہ محمد کلیم
4 دفعہ	خواجہ محمد ندیم
4 دفعہ	محمد حمزہ یوسف
4 دفعہ	محمد طارق صوفی

آڈٹ کمیٹی

خواب محمد جہانگیر 4 دفعہ
خواب محمد کلیم 4 دفعہ
خواب محمد نسیم 4 دفعہ

انسانی وسائل اور اجرت سمیٹی پورڈ آف ڈائریکٹر کی ہدایت کے مطابق اپنی ذمہ داریاں سر انجام دے رہی ہے۔ اس سال انسانی وسائل اور اجرت سمیٹی کا صرف ایک اجلاس ہوا اور حاضری اس طرح رہی۔

1 دفعہ	خواجہ محمد کلیم
1 دفعہ	خواجہ محمد سعید
1 دفعہ	محمد نوید

متعلقہ پارٹیوں سے لین دین مارکیٹ کی قیمتوں کے مطابق کی گئی جو کہ غیر مضبوط قیمتوں کے طریقہ کار کے مطابق تھیں۔ اس حوالے سے کمپنی نے 'ٹرانسفر پرائسنگ' طریقہ کار کے تحت کام کیا ہے جو کہ پاکستان سٹاک ایکچینج لمیٹڈ کے فہرست سازی کے قوانین میں موجود ہے۔

محاسب

کمیٹی کے موجودہ محاسب نے 30 جون 2016 پر ختم شدہ سال کا سالانہ آڈٹ مکمل کر لیا ہے اور آڈٹ رپورٹ میں کوئی اعتراض نہیں اٹھایا۔ موجودہ محاسب کی خدمات کمیٹی کے سالانہ عام اجلاس میں واپس کر دی جائیں گی اور اہل ہونے کے ناطے انھوں نے 30 جون 2017 پر اختتام پذیر ہونے والے سال کے لیے دوبارہ اپنی خدمات پیش کرنے کی خواہش ظاہر کی ہے۔

حصہ داروں کا نمونہ

30 جون 2016 کی تاریخ میں مطلوبہ تفصیل لکھ ہے۔

حکومت سماجی ذمہ داری

تکلفی اپنی عظیم سماجی ذمہ داریوں سے مکمل طور پر آگاہ ہے اور سماجی شعبہ میں عطیات کی شکل میں ادا کر رہی ہے۔ مزید برآں کئی ملازمین کی بھلائی کیلئے طبی سہولیات، مجموعی بیر، پائلیسی اور آرڈر اس نزخوں پر فیئر پرائس شاپ کی سہولت فراہم کر رہی ہے۔

عمراف

بورڈ آف ڈائریکٹرز کمپنی کے ملازمین کی لگن اور محنت کی قدر کرتا ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے

محمد تقی

چیف ایگزیکٹو آفیسر

تاریخ: 2 دسمبر 2016

1981

SWOT ANALYSIS

STRENGTHS:

- 1) Over 40 years of yarn manufacturing experience;
- 2) One of the largest production facilities for stretch and super stretch yarn;
- 3) Continuous process of machinery up gradation;
- 4) Highly professional and skilled human resources.

WEAKNESSES:

- 1) Limited presence in European market;
- 2) Production facilities are not located in any industrial area.

OPPORTUNITIES:

- 1) GSP PLUS quota for our Textile products by European Union;
- 2) Keenness of Chinese Investors in our textile sector;
- 3) Availability of cheap raw material.

THREATS:

- 1) Volatility of cotton prices;
- 2) Scarcity of energy resources;
- 3) Rupee appreciation.



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FINANCIAL HIGHLIGHTS OF LAST SIX YEARS

		Year ended June 30					
		2016	2015	2014	2013	2012	2011
Profit and Loss Summary							
Sales-Net	Pak-Rs.	4,139,297,510	6,051,526,305	6,822,993,716	6,230,120,498	5,627,854,703	6,809,167,296
Gross profit/(Loss)	Pak-Rs.	(19,050,576)	331,657,539	747,432,402	846,697,751	563,714,413	898,296,612
Operating Profit/(Loss)	Pak-Rs.	(223,570,095)	56,140,102	472,318,028	573,736,076	383,234,950	677,820,752
Profit/(Loss) before Tax	Pak-Rs.	(424,631,703)	(229,168,229)	189,182,609	309,694,041	155,928,819	362,751,628
Profit/(Loss) after tax	Pak-Rs.	(466,024,678)	(289,683,492)	120,952,672	265,523,955	106,403,464	291,567,330
Profit before interest, tax, depreciation and amortization (EBITDA)	Pak-Rs.	(104,354,754)	186,376,636	539,429,162	638,861,412	456,180,125	729,804,432
Balance Sheet Summary							
Share Capital	Pak-Rs.	650,000,000	650,000,000	650,000,000	650,000,000	650,000,000	650,000,000
Accumulated Profit	Pak-Rs.	(260,250,218)	192,304,938	488,020,366	377,513,397	130,639,714	23,873,673
Share Holder's Equity	Pak-Rs.	389,749,782	842,304,938	1,138,020,366	1,027,513,397	780,639,714	673,873,673
Non Current Liabilities (Excluding loan from directors)	Pak-Rs.	393,728,427	491,373,267	254,512,419	192,015,363	279,047,115	195,742,780
Loan From Directors	Pak-Rs.	700,000,000	700,000,000	700,000,000	397,000,000	397,000,000	397,000,000
Current Assets	Pak-Rs.	1,409,723,125	1,953,183,048	2,374,470,897	2,127,045,965	1,402,754,738	1,329,721,732
Current Liabilities	Pak-Rs.	1,985,387,452	2,036,869,528	2,288,975,876	2,102,607,774	1,502,740,142	1,326,950,732
Working Capital	Pak-Rs.	(575,664,327)	(83,686,480)	85,495,022	24,438,191	(99,985,404)	2,771,000
Property, plant and Equipment	Pak-Rs.	2,027,131,797	2,085,557,422	1,979,823,212	1,566,318,684	1,538,351,388	1,247,945,081
Other Non Current Assets	Pak-Rs.	32,010,739	31,807,264	27,214,551	25,771,885	18,320,845	15,900,372
Total Assets	Pak-Rs.	3,468,865,660	4,070,547,733	4,381,508,661	3,719,136,534	2,959,426,971	2,593,567,185
Total Liabilities (Excluding loan from directors)	Pak-Rs.	2,379,115,878	2,528,242,795	2,543,488,295	2,294,623,137	1,781,787,257	1,522,693,512
Total Borrowings	Pak-Rs.	1,919,212,600	2,121,633,209	1,913,261,694	1,743,692,693	1,442,908,251	1,091,070,483
Capital Employed	Pak-Rs.	2,308,962,382	2,963,938,147	3,051,282,060	2,771,206,090	2,223,547,965	1,764,944,156
Cash Flow Summary							
Cash flows of Operating Activities	Pak-Rs.	257,342,171	(16,597,949)	38,311,172	(178,894,784)	9,504,158	505,610,781
Cash flows of Investing Activities	Pak-Rs.	(54,409,723)	(212,155,296)	(505,233,243)	(122,959,889)	(361,886,360)	(115,467,898)
Cash flows of Financing Activities	Pak-Rs.	(202,243,986)	228,567,504	468,247,389	305,009,656	351,825,419	(386,160,235)
Net change in cash and cash equivalents	Pak-Rs.	688,462	(185,741)	1,325,318	3,154,983	(556,783)	3,982,647
Cash and cash equivalents at the end of the year	Pak-Rs.	11,412,802	10,724,341	10,910,082	9,584,765	6,429,782	6,986,564
Profitability and Operating Ratios							
Gross Profit Margin	%	(0.46)	5.48	10.95	13.59	10.02	13.19
Net Profit to sales	%	(11.26)	(4.79)	1.77	4.26	1.89	4.28
Return on Equity	%	(119.57)	(34.39)	10.63	25.84	13.63	43.27
Return on Capital employed	%	(20.18)	(9.77)	3.96	9.58	4.79	16.52
Liquidity Ratios							
Current	Times	0.71	0.96	1.04	1.01	0.93	1.00
Quick/Acid test	Times	0.18	0.25	0.22	0.21	0.16	0.28
Activity/Turnover Ratios							
Inventory Turnover	Times	3.34	3.45	3.42	3.80	4.78	5.91
No. of Days in Inventory	Days	109	106	107	96	76	62
Debtors Turnover	Times	14.96	15.42	17.99	19.37	38.12	31.53
No. of Days in Receivables	Days	24	24	20	19	10	12
Creditors Turnover	Times	36.64	41.68	18.46	21.42	54.23	25.08
No. of Days in Payable	Days	10	9	20	17	7	15
Total Assets Turnover	Times	1.10	1.43	1.68	1.87	2.03	2.58
Fixed Assets Turnover	Times	2.04	2.90	3.45	3.98	3.66	5.46
Operating Cycle	Days	124	121	107	98	79	59
Investment/Market Ratios							
Earning Per share	Times	(3.58)	(2.23)	0.93	2.04	0.82	2.24
Capital Structure Ratio							
Gearing Ratio	%	83.12	71.58	62.70	62.92	64.89	61.82

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 5.19.23 of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance (CG).

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

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

Category	Names
Executive Directors	1. Khawaja Muhammad Javed 2. Mr. Muhammad Naveed
Non Executive Directors	1. Khawaja Muhammad Jahangir 2. Khawaja Muhammad Tanveer 3. Khawaja Muhammad Kaleem 4. Khawaja Muhammad Nadeem 5. Mr. Muhammad Hamza Yousaf
Independent Director	1. Mr. Muhammad Tariq Sufi

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

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision /mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the Chief Executive and other working director(s) have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chairman or in his absence other director elected by the board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Mr. Muhammad Hamza Yousaf, Director of the Company has completed directors training program during the year through Institute of Chartered Accountants of Pakistan. The other directors of the Company are exempted from directors training program due to 14 years of education and 15 years of experience on the board of listed company which covered compliance of Code of Corporate Governance.

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

Lahore:
December 02, 2016

Mr. Muhammad Naveed
Chief Executive

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH 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 **Kohinoor Spinning Mills Limited** ("the Company") for the year ended 30 June 2016, to comply with the requirements of Listing 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 controls covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirements to the extent of approval of 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 30 June 2016.

Lahore
December 02, 2016

Nasir Javaid Maqsood Imran
Chartered Accountants

Muhammad Maqsood, FCA

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Kohinoor Spinning Mills Limited** ("the Company") as at 30 June 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, investment 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 the statement of the changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of the loss, comprehensive loss its cash flows and changes in equity for the year then ended; and
- d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended June 30, 2015 were audited by Aslam Malik & Co Chartered Accountants who expressed an unmodified opinion on those statements on January 10, 2016.

Lahore
December 02, 2016

Nasir Javaid Maqsood Imran
Chartered Accountants

Muhammad Maqsood, FCA

BALANCE SHEET

	Note	2016 (Rupees)	2015 (Rupees)
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital:			
300,000,000 (2015 - 130,000,000) ordinary shares of Rupees 5/- each (2015 Rupees 5/- each)		1,500,000,000	650,000,000
Issued, subscribed and paid up capital:			
130,000,000 (2015 - 130,000,000) ordinary shares of Rupees 5/- each (2015 Rupees 5/- each)	3	650,000,000	650,000,000
Reserves	4	(260,250,218)	192,304,938
		389,749,782	842,304,938
NON-CURRENT LIABILITIES			
Loan from directors	5	700,000,000	700,000,000
Long term loans	6	258,823,528	329,411,764
Liabilities against assets subject to finance lease	7	1,322,908	15,749,077
Supplier's credit	8	25,761,117	51,838,869
Deferred liabilities	9	107,820,874	117,902,969
		1,093,728,427	1,214,902,679
CURRENT LIABILITIES			
Trade and other payables	10	290,226,366	231,634,423
Accrued Interest on loans and borrowings	11	43,777,952	43,276,302
Short-term borrowings	12	1,436,048,839	1,577,354,452
Current portion of non current liabilities	13	197,594,019	147,965,653
Provision for taxation	32	17,740,275	13,109,286
		1,985,387,452	2,013,340,116
CONTINGENCIES AND COMMITMENTS			
	14	-	-
		3,468,865,660	4,070,547,733

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

AS AT JUNE 30, 2016

	Note	2016 (Rupees)	2015 (Rupees)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,027,131,797	2,085,557,422
Long term Loans	16	21,033,597	20,713,699
Long term deposits	17	10,561,342	10,561,342
Long term investments	18	415,800	532,223
		2,059,142,536	2,117,364,686
CURRENT ASSETS			
Stores and spares	19	99,900,905	92,447,285
Stock-in-trade	20	953,484,657	1,345,357,207
Trade debts	21	276,652,482	392,476,476
Loans and advances	22	41,718,559	67,815,170
Trade deposits, pre-payments and other receivables	23	26,553,720	44,362,569
Cash and bank balances	24	11,412,802	10,724,341
		1,409,723,125	1,953,183,048
		3,468,865,660	4,070,547,733

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

(Khawaja Muhammad Kaleem)
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016 (Rupees)	2015 (Rupees)
Sales - net	25	4,139,297,510	6,051,526,305
Cost of sales	26	(4,158,348,086)	(5,719,868,766)
GROSS (LOSS)/PROFIT		(19,050,576)	331,657,539
OPERATING EXPENSES:			
Distribution cost	27	(93,086,978)	(157,627,753)
Administrative	28	(111,432,541)	(117,889,684)
		(204,519,519)	(275,517,437)
OPERATING (LOSS)/PROFIT		(223,570,095)	56,140,102
Finance cost	29	(207,809,500)	(312,299,253)
Other operating expenses	30	(875,000)	(875,000)
Other operating income	31	7,622,892	27,865,922
		(201,061,608)	(285,308,331)
(LOSS) BEFORE TAXATION		(424,631,703)	(229,168,229)
Taxation	32	(41,392,975)	(60,515,263)
(LOSS) AFTER TAXATION		(466,024,678)	(289,683,492)
ACCUMULATED PROFIT BROUGHT FORWARD		227,637,839	517,957,408
ACCUMULATED (LOSS) / PROFIT CARRIED FORWARD		(238,386,839)	227,637,839
(LOSS) PER SHARE - BASIC AND DILUTED	33	(3.58)	(2.23)

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

Lahore
December 02, 2016

(Mr. Muhammad Naveed)
Chief Executive

(Khawaja Muhammad Kaleem)
Director

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016**

	2016 (Rupees)	2015 (Rupees)
(Loss) after taxation	(466,024,678)	(289,683,492)
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Unrealized (loss) due to change in fair value of long term investments	(116,423)	(257,796)
Experience adjustment due to actuarial valuation (Note 9.1.2)	13,585,946	357,322
Total comprehensive (Loss) for the year	<u>(452,555,155)</u>	<u>(289,583,966)</u>

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

Lahore
December 02, 2016

(Mr. Muhammad Naveed)
Chief Executive

(Khawaja Muhammad Kaleem)
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016**

	Share Capital	Revenue Reserves		Total
		Accumulated Profit	Fair Value Reserve	
	Rs.	Rs.	Rs.	Rs.
Balance as on July 01, 2014	650,000,000	488,230,346	(209,980)	1,138,020,366
Interim dividend for year 2014	-	(6,131,462)	-	(6,131,462)
(Loss) after taxation for the year	-	(289,683,492)	-	(289,683,492)
Experienced adjustment due to actuarial valuation	-	357,322	-	357,322
Unrealized (loss) due to change in fair value of long term investment	-	-	(257,796)	(257,796)
Balance as on June 30, 2015	650,000,000	192,772,714	(467,776)	842,304,938
(Loss) after taxation for the year	-	(466,024,678)	-	(466,024,678)
Experienced adjustment due to actuarial valuation	-	13,585,946	-	13,585,946
Unrealized (loss) due to change in fair value of long term investment	-	-	(116,423)	(116,423)
Balance as on June 30, 2016	650,000,000	(259,666,018)	(584,200)	389,749,782

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

Lahore
December 02, 2016

(Mr. Muhammad Naveed)
Chief Executive

(Khawaja Muhammad Kaleem)
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016 (Rupees)	2015 (Rupees)
CASH GENERATED FROM OPERATIONS			
Cash generated from operations	34	526,204,437	382,332,112
Finance cost paid		(207,307,850)	(319,851,944)
Income tax paid		(36,761,985)	(58,719,352)
Gratuity paid		(24,792,430)	(20,358,765)
Net cash generated from/(used in) operating activities		257,342,171	(16,597,949)
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipments		(63,744,339)	(210,237,787)
Long term advances		(367,898)	(5,003,509)
Proceeds from disposal of property, plant and equipment		9,702,514	3,086,000
Net cash (used in) investing activities		(54,409,723)	(212,155,296)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) of long term financing		(35,294,118)	385,714,290
Decrease of finance lease liabilities		(25,536,404)	(28,976,051)
Increase/(Decrease) of short term borrowings		(141,305,614)	4,805,726
Dividend paid		(107,850)	(5,924,908)
Decrease of supplier's credit		-	(127,051,553)
Net cash generated from/(used in) financing activities		(202,243,986)	228,567,504
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		688,462	(185,741)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		10,724,341	10,910,082
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24	11,412,802	10,724,341

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

Lahore
December 02, 2016

(Mr. Muhammad Naveed)
Chief Executive

(Khawaja Muhammad Kaleem)
Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016****1. THE COMPANY AND ITS OPERATIONS**

- 1.1** Kohinoor Spinning Mills Limited was incorporated on 23rd July, 1970 as a public limited company in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and is quoted on Pakistan stock exchange. Its registered office is situated at 7/1 E-3 Main Boulevard, Gulberg-III, Lahore. The company is engaged in the business of textile spinning.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 STATEMENT OF COMPLIANCE**

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

2.2 BASIS OF PREPARATION

These accounts have been prepared under the historical cost convention except retirement benefits which have been recognized at present value determined by actuary.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Staff retirement benefits

Certain actuarial assumption has been adopted as disclosed in note 9.1 the financial statements for valuation of present value of defined benefit obligations.

Property, plant and equipment

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

Income Taxes

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

2.4 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

2.4.1 Standards, Interpretations and amendments to published approved accounting standards that are effective in the current year and are relevant to the company.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard does not have significant impact on these financial statements, except for certain additional disclosures.

2.4.2 Standards, interpretations and amendments to existing standards that are applicable to the company but are not yet effective:

The following amendments, revisions and interpretations to published accounting standards were not effective during the year and have not been early adopted by the Company:

	Effective for periods
IAS 7 Statement of Cash Flows (Amendments)	January 01, 2017
IAS 16 Property, Plant and Equipment (Amendments)	January 01, 2016
IAS 27 Separate Financial Statements (Amendments)	January 01, 2016
IAS 28 Investment in Associates and Joint Ventures (Amendments)	January 01, 2016
IAS 34 Interim Financial Reporting (Amendments)	January 01, 2016
IFRS 9 Financial Instruments	January 01, 2018
IFRS 10 Consolidated Financial Statements (Amendments)	January 01, 2016
IFRS 15 Revenue from Contracts with Customers (Amendments)	January 01, 2018
IFRS 16 Lease	January 01, 2019

2.4.3 Standards, interpretations and amendments to published standards that are effective but not relevant to the company.

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

2.5 TAXATION

Current

The Charge for current taxation is based on taxable income at current tax rates after taking into account all tax credits and rebates available, if any. In case of loss minimum tax liability is provided in these accounts based on liability worked out under section 113 or under sections 154 and 153 of the Income Tax Ordinance, 2001, whichever of these liability is higher.

Deferred

Deferred tax is provided in full using the liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying amounts.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits, if any to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax losses and unused tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is probable that sufficient taxable profits will not be available to allow all or part of the deferred tax assets to be utilized.

The tax rates enacted at the balance sheet date are used to determine deferred income tax.

2.6 PROPERTY, PLANT AND EQUIPMENT**Owned assets**

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Cost of tangible operating assets consists of historical cost, borrowing cost pertaining to the erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on property, plant and equipment except free hold land is charged to income applying the reducing balance method as to write off the cost of property, plant and equipment including the related exchange differences over their expected useful life at the rates given in Note 15.

Depreciation on additions is charged from the month in which the assets become available for use, while on disposal depreciation is charged up to the month of disposal.

Gains or losses on disposal of property plant and equipment are charged to income during the period in which they are incurred.

2.7 STORES AND SPARES

These are valued at cost, applying moving average method except for stock-in-transit which are valued at cost.

2.8 INVESTMENTS

Investments are initially recognised on trade date at cost, comprising of fair value of consideration paid and transaction costs. Its classification is made on the basis of intended purpose for holding such investments, which is determined at the time of purchase and re-valuation is made of such designation on regular basis and presented in the balance sheet on the following basis.

Held-to-maturity

These are stated at amortized cost less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to income statement for the year.

Held for trading

These are recognized at fair value and changes in the carrying values are included in the income statement for the year.

Available for sale

These are stated at fair value and changes in carrying values are recognized through the statement of changes in equity until the investment is sold, collected, disposed off or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in income statement for the year.

Fair value of investment in shares of listed companies is determined on the basis of closing quotations of the stock exchanges at the balance sheet date. while for un-quoted securities, fair value is determined considering breakup value of the securities.

2.9 STOCK-IN-TRADE

These are valued at the lower of average cost and net realizable value, except waste stock which is valued at the net realizable value. Average cost signifies, in relation to raw material annual average cost, for work-in-process and finished goods average manufacturing cost including a proportion of related overheads. Net realizable value signifies the prevailing market prices in the ordinary course of business less selling expenses incidental to sales. Stocks of raw material in transit are valued at cost.

2.10 TRADE DEBTS

Trade debts are carried at original invoice less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.11 STAFF RETIREMENT BENEFITS

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

All actuarial gains and losses are recognized in other comprehensive income as they occur, immediately recognizes all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. Past service cost is recognized immediately to the extent the benefits already vested.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation.

2.12 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates.

2.13 REVENUE RECOGNITION

Sales are recognized on dispatch of goods to the customers. Dividend income on equity investments is recognized as income when the right of receipt is established. Profit on short-term deposits is accounted for on time-apportioned basis on the principal outstanding by using the rate applicable.

2.14 IMPAIRMENT OF ASSETS

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets, if any, may have been 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 profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

2.15 FINANCIAL ASSETS AND LIABILITIES

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

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

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

2.16 TRADE AND OTHERS PAYABLES

Liabilities for trade 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.

2.17 PROVISIONS

Provisions are recognized when the company has a legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash and bank balances.

2.19 BORROWING COST

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

2.20 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

2.21 TRANSACTIONS WITH RELATED PARTIES AND TRANSFER PRICING

Transactions with related parties are accounted for using arm's length price in ordinary course of business in accordance with uncontrolled price method.

2.22 DIVIDEND

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

	Note	2016 (Rupees)	2015 (Rupees)
3 SHARE CAPITAL			
Issued, subscribed and paid up			
127,725,000 (2015:127,725,000) ordinary shares of Rupees 5/- each (2015 Rupees 5/- each) fully paid in cash		638,625,000	638,625,000
2,275,000 (2015:2,275,000) ordinary shares of Rupees 5/- each (2015 Rupees 5/- each) issued as fully paid bonus shares.		11,375,000	11,375,000
		650,000,000	650,000,000
4 RESERVES			
Accumulated (loss) / profit		(238,386,839)	227,637,839
Cash dividend		(12,612,848)	(12,612,848)
Unrealized (loss) on long term investments		(584,200)	(467,776)
Unrealized amount charged to retained earning due to valuation		(1,428,229)	(1,428,229)
Actuarial re-measurement-experience adjustments		(7,238,102)	(20,824,048)
		(260,250,218)	192,304,938
5 LOAN FROM DIRECTORS			
Sub-ordinate loan	5.1 & 5.2	397,000,000	397,000,000
Free loan	5.1 & 5.3	303,000,000	303,000,000
		700,000,000	700,000,000
5.1	The directors have injected unsecured and interest free loans for the repayment of the liabilities of the banks and BMR of the Company. The loan is repayable at the convenience of the company. The directors of the company have confirmed that they would not demand repayment of loan for a period of 12 months of the balance sheet date. Hence the loan has been classified as long term liability.		
5.2	This loan is sub-ordinate to the finance facilities together with mark up, additional mark, damages, liquidated damages, costs, charges, fees costs of funds, commissions and expenses thereon or related thereto to the extent provided in the sub-ordinate agreements.		
5.3	This loan is not sub-ordinate to any finance facility.		
	Note	2016 (Rupees)	2015 (Rupees)
6 LONG TERM LOANS			
Banking Companies - Secured			
Demand finance	6.1	364,705,882	400,000,000
Less:			
Overdue installment		11,764,706	-
Current portion	13	94,117,648	70,588,236
		105,882,354	70,588,236
		258,823,528	329,411,764
6.1	This loan is secured by a first pari passu charge with 25% margin fixed assets of unit-3 of the company. It carries mark up based on six months KIBOR plus 2.75%. The loan was repayable in 17 equal quarterly installments of Rs.23.53 million each commencing from December, 2015 and ending on December 2019.		

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2016		2015	
	Minimum lease Payments	Present value	Minimum lease Payments	Present value
	- Rupees			
Within one year	15,534,701	14,428,314	29,858,501	25,538,549
After one year but not more than five year	1,392,818	1,322,908	12,604,619	15,749,077
Total minimum lease payments	16,927,519	15,751,222	42,463,120	41,287,626
Amount representing finance charges	(1,176,297)	-	(5,495,446)	-
Present value of minimum lease payments	15,751,222	15,751,222	41,287,626	41,287,626
Less: Current portion	(14,428,314)	(14,428,314)	(25,538,549)	(25,538,549)
	1,322,908	1,322,908	15,749,077	15,749,077

7.1 The total lease rentals due under the lease agreements aggregating Rs. 31,355,833 (2015: Rs. 42,463,120) are repayable in equal monthly installments latest by April, 2018. The present value of minimum lease payments has been discounted at interest rate implicit in the lease, which equates to an interest rate of approximately 11.00 to 11.31 (2015: 14.34 to 15.46) percent per annum. If any lease is terminated, the lessee is required to pay the purchase price specified in the lease agreements. Taxes, repairs, replacements and insurance costs are to be borne by the lessee. The liability is secured by the specific charge over leased assets. The estimated residual value assets acquired on finance lease is Rs. 44.918 Million (2015: Rs. 49.199 Million). The company intends to exercise the option of purchasing the lease assets at residual value upon completion of lease term.

	Note	2016 (Rupees)	2015 (Rupees)
8 SUPPLIER'S CREDIT-UNSECURED			
Loan from machinery supplier	8.1	103,044,468	103,677,737
Less: Current portion			
Overdue Installment		(51,522,234)	-
Current installment	13	(25,761,117)	(51,838,868)
		25,761,117	51,838,869

8.1 This loan is unsecured and interest free. This loan is repayable in 6 equal half year installments and rescheduled to the sum of Euro 221,486.69 per installment after payment of two installments, commencing from August 2014 and ending on August, 2017 with 15% payment at the time of presentation of shipping documents of machinery.

	Note	2016 (Rupees)	2015 (Rupees)
9 DEFERRED LIABILITIES			
Gratuity	9.1	107,820,874	117,902,969
		107,820,874	117,902,969

Company operates unfunded gratuity scheme for its employees that pays a lump sum gratuity to members on leaving company's service after completion of one year of continuous service. The future contribution rates of the scheme include allowances for deficit and surplus. Projected unit credit method based on the following significant assumptions is used for valuation of this scheme. The latest actuarial valuation was carried out by M/S TRT Associates as on June 30, 2016.

9.1 Staff Gratuity-Defined Benefit Plan

The amounts recognized in financial statements are determined as follows :-

		2016 (Rupees)	2015 (Rupees)
9.1.1 Reconciliation of amount recognized in the balance sheet			
Current service cost		18,273,140	28,579,727
Interest cost		10,023,142	11,683,393
		<u>28,296,282</u>	<u>40,263,120</u>
9.1.2 Movement in liability recognized in the balance sheet			
At the beginning of the year		117,902,969	98,355,936
Amount recognized during year - as shown above		28,296,282	40,263,120
Experience adjustment		(13,585,946)	(357,322)
Benefit payments		(24,792,431)	(20,358,765)
		<u>107,820,874</u>	<u>117,902,969</u>
	Note		
9.1.3 Allocation of charge for the year			
Cost of sales	26	20,255,848	30,197,340
Administrative expenses	28	8,040,434	10,065,780
		<u>28,296,282</u>	<u>40,263,120</u>
9.1.4 The principal actuarial assumptions used were as follows			
Discount rate		7.25%	9.50%
Expected rate of increase in salary		6.25%	8.50%
Average expected remaining working life of employees		8 years	9 years
Average duration of liability		8 years	8 years

9.1.5 Sensitivity analysis as at 30.06.2016

	Discount Rate + 1%	Discount Rate - 1%	Salary Increase + 1%	Salary Increase - 1%
PVDBO	98,383,003	119,048,697	119,048,697	98,218,618

	Note	2016 (Rupees)	2015 (Rupees)
10 TRADE AND OTHER PAYABLES			
Secured:			
Creditors	10.1	33,656,739	48,633,015
Un-secured:			
Creditors		35,237,149	40,105,019
Accrued expenses		144,089,815	69,988,535
Un-claimed dividend		1,915,117	2,022,967
Workers' profit participation fund	10.2	61,185,824	55,623,476
Advances from customers		14,141,722	15,261,411
		290,226,366	231,634,423

10.1 These are secured against letter of credits issued by the bankers of the company.

10.2 Workers' profit participation fund

Opening balance		55,623,476	119,086,918
For the year		-	-
Paid for the year		-	(75,372,134)
Interest recognized during the year	10.2.1	5,562,348	11,908,692
		5,562,348	(63,463,442)
		61,185,824	55,623,476

10.2.1 The company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the companies Profit (Workers Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

	Note	2016 (Rupees)	2015 (Rupees)
11 ACCRUED INTEREST ON LOANS AND BORROWINGS			
Accrued interest / mark up on:			
Long term loans (Secured)		9,939,480	1,996,822
Short term finances (Secured)		33,838,472	41,279,480
		43,777,952	43,276,302

	Note	2016 (Rupees)	2015 (Rupees)
12 SHORT-TERM BORROWINGS			
Banking companies - Secured			
Running finance	12.1	141,946,095	100,499,984
Others	12.1	1,014,482,609	1,146,440,613
Export finance	12.1	279,282,324	329,727,249
		1,435,711,028	1,576,667,845
Related parties - Unsecured			
Loan from directors	12.2	337,811	686,607
		1,436,048,839	1,577,354,452

12.1

NATURE OF FACILITY	2016		2015		Expiry	SECURITY
	LIMIT	MARK UP / COMMISSION	LIMIT	MARK UP / COMMISSION		
Running Finance	142,000,000	3 Months KIBOR plus 2.00 % to 2.50%	142,000,000	3 Months KIBOR plus 2.00 % to 2.50%	Ranges from 30/09/2016 to 31/12/2016	PP charge on Current Assets of the company and Personal Guarantee of the Sponsoring Directors of the Company.
Others	1,150,000,000	3 Months KIBOR plus 2.00 % to 3.50%	1,150,000,000	3 Months KIBOR plus 2.00 % to 3.50%		Pledge of stock of raw material and finished goods under the supervision and control of Bank Mucaddam. Personal Guarantee of the Sponsoring Directors of the Company.
Export Finance	285,000,000	3 Months KIBOR plus 2.00 % to 3.50%	330,000,000	3 Months KIBOR plus 2.00 % to 3.50%		Lien on contract / export documents. 1st PP Charged over Fixed Assets of Company. Personal Guarantees of the Sponsoring Directors of the Company.

12.2 This represent interest free loan obtained from directors for working capital requirements of the Company.

	Note	2016 (Rupees)	2015 (Rupees)
13 CURRENT PORTION OF NON CURRENT LIABILITIES			
Long term loans	6	105,882,354	70,588,236
Liabilities against assets subject to finance lease	7	14,428,314	25,538,549
Supplier's credit	8	77,283,351	51,838,868
		<u>197,594,019</u>	<u>147,965,653</u>

14 CONTINGENCIES AND COMMITMENTS

14.1 CONTINGENCIES

14.1.1 No provision has been made for the amount of tax demanded by tax authorities of Rs. 5,673 million (2015:Rs.5.673 million) for various assessment years because the management believes that the outcome of the appeals regarding this demand will be decided in favor of the company.

14.1.2 Guarantee of Rs.32.725 million (2015: Rs.30.725 million) is given by bank of the company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connection.

	Note	2016 (Rupees)	2015 (Rupees)
14.2 COMMITMENTS			
(i) Letter of credits for import of raw material		Nil	58.771 Million
(ii) Letter of credits for import of machinery		Nil	14.494 Million

15 PROPERTY, PLANT AND EQUIPMENT

Fixed assets:

Owned assets	15.1	1,982,213,930	1,994,965,644
Leased assets	15.2	44,917,867	90,591,778
		<u>2,027,131,797</u>	<u>2,085,557,422</u>

15.1 PROPERTY, PLANT AND EQUIPMENT

	COST/REVALUATION (Rupees)										Total	
	Land	Building	Plant and Machinery	Tube Wells	Electric Installation	Tools and Equipment	Telephone Installation	Office Equipment	Furniture and Fixture	Vehicles	CWIP	
Year ended June 30, 2015												
Opening net book amount	11,675,239	166,051,166	1,360,710,291	260,512	36,144,771	323,668	168,270	10,707,588	2,903,160	19,929,849	278,233,027	1,608,864,512
Additions	-	90,167,919	110,230,667	-	1,726,676	-	-	601,976	-	7,510,550	-	210,237,768
Disposal	-	-	-	-	-	-	-	-	-	3,623,584	278,233,027	3,623,584
Depreciation charge	-	12,191,438	74,805,767	26,050	3,720,985	32,374	24,369	1,087,003	292,755	2,002,859	-	93,983,600
Adjustment	-	-	-	-	-	-	-	-	-	(4,762,500)	-	(4,762,500)
Transfer	-	129,065,718	149,167,319	-	-	-	-	-	-	-	-	278,233,037
Closing net book amount	11,675,239	373,093,365	1,545,502,510	234,462	34,150,462	291,292	133,901	10,222,561	2,610,405	17,051,356	-	1,994,965,644
At June 30, 2015												
Cost	11,675,239	600,745,663	2,835,354,058	1,545,577	78,658,669	4,241,143	1,017,190	19,481,669	10,158,992	56,362,218	-	3,619,240,618
Accumulated depreciation	-	227,652,297	1,289,851,547	1,311,115	44,508,407	3,949,851	883,289	9,259,108	7,548,587	39,310,862	-	1,624,275,063
Net book amount	11,675,239	373,093,366	1,545,502,511	234,462	34,150,462	291,292	133,901	10,222,561	2,610,405	17,051,356	-	1,994,965,644
Year ended June 30, 2016												
Opening net book amount	11,675,239	373,093,366	1,545,502,511	234,462	34,150,462	291,292	133,901	10,222,561	2,610,405	17,051,356	-	1,994,965,655
Additions	-	2,853,460	55,163,209	-	5,488,669	-	-	175,500	-	63,500	-	63,744,338
Disposal/Deficit	-	-	9,702,514	-	-	-	-	-	-	-	-	9,702,514
Depreciation charge	-	18,708,280	89,042,701	23,445	3,576,503	29,127	13,388	1,036,882	261,041	16,095,269	-	128,786,636
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Transfer	-	-	40,411,633	-	-	-	-	-	-	21,581,465	-	61,993,098
Closing net book amount	11,675,239	357,238,546	1,542,332,138	211,017	36,062,628	262,165	120,513	9,361,179	2,349,364	22,601,052	-	1,982,213,930
At June 30, 2016												
Cost	11,675,239	603,599,123	2,921,226,386	1,545,577	84,147,538	4,241,143	1,017,190	19,657,169	10,158,992	78,007,183	-	3,735,275,540
Accumulated depreciation	-	246,360,577	1,378,894,248	1,334,560	48,084,910	3,978,978	898,677	10,295,990	7,809,628	55,406,131	-	1,753,061,699
Net book amount	11,675,239	357,238,546	1,542,332,138	211,017	36,062,628	262,165	120,513	9,361,179	2,349,364	22,601,052	-	1,982,213,930
Rate of depreciation in %												
	-	5	5	10	10	10	10	10	10	10	20	

15.1.1 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Particular	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain / Loss	Mode of Disposal	Party Name
Ring Spinning Machine	9,702,514	-	9,702,514	9,702,514	-	Negotiation	Zain International
	9,702,514	-	9,702,514	9,702,514	-		

15.2 Leasehold property, plant and equipment

	Plant and Machinery	Vehicles	Total
	R U P E E S		
At June 30, 2014			
Cost	85,735,403	22,735,265	108,470,668
Accumulated depreciation	8,077,148	7,667,847	15,744,995
Net book amount	77,658,255	15,067,418	92,725,673
Year ended June 30, 2015			
Opening net book amount	77,658,255	15,067,418	92,725,673
Transferred to owned assets	-	-	-
Additions	-	4,762,500	4,762,500
Depreciation charge	3,882,913	3,013,482	6,896,395
Closing net book amount	73,775,342	16,816,436	90,591,778
At June 30, 2015			
Cost	85,735,403	27,497,765	113,233,168
Accumulated depreciation	11,960,061	10,681,329	22,641,390
Net book amount	73,775,342	16,816,436	90,591,778
Year ended June 30, 2016			
Opening net book amount	73,775,342	16,816,436	90,591,778
Transferred to owned assets	40,411,633	21,581,465	61,993,098
Additions	-	-	-
Depreciation charge	(7,005,726)	(9,313,461)	(16,319,187)
Closing net book amount	40,369,435	4,548,432	44,917,867
At June 30, 2016			
Cost	45,323,770	5,916,300	51,240,070
Accumulated depreciation	4,954,335	1,367,868	6,322,203
Net book amount	40,369,435	4,548,432	44,917,867
Rate of depreciation in %	5	20	

15.3 Depreciation/amortization has been apportioned as under :-

		2016 (Rupees)	2015 (Rupees)
Cost of sales	26	105,607,546	100,232,130
Administrative expenses	28	6,859,903	3,013,482
		112,467,449	103,245,612

	Note	2016 (Rupees)	2015 (Rupees)
16 LONG-TERM LOANS			
Loans to Executives - Considered good	16.1	21,561,597	21,193,699
Less: Current portion	22	(528,000)	(480,000)
		<u>21,033,597</u>	<u>20,713,699</u>
16.1 These represent long term loans made to executives as per policy of the company against house building finance. These are secured against the employees gratuity balances and are free of interest.			
Aggregate maximum balance due at the end of any month during the year		<u>21,561,597</u>	<u>21,193,699</u>
17 LONG-TERM DEPOSITS			
Security deposits:			
Utilities		10,411,342	10,411,342
Others		150,000	150,000
		<u>10,561,342</u>	<u>10,561,342</u>
18 LONG TERM INVESTMENTS			
Held as available for sale			
Others - Quoted			
* KASB Modaraba			
166,320 modaraba certificates			
of Rupees 10 each.		<u>415,800</u>	<u>532,223</u>
19 STORES AND SPARES			
Stores		30,874,990	23,023,771
Spares		69,025,915	69,423,514
		<u>99,900,905</u>	<u>92,447,285</u>
20 STOCK-IN-TRADE			
Raw material		636,838,628	920,609,685
Work-in-process		115,616,723	138,645,953
Finished goods		197,853,665	280,053,044
Waste		3,175,641	6,048,525
		<u>953,484,657</u>	<u>1,345,357,207</u>

	Note	2016 (Rupees)	2015 (Rupees)
21 TRADE DEBTS - CONSIDERED GOOD			
Foreign - Secured		7,955,218	71,123,180
Local - Un-secured	21.1	268,697,264	321,353,296
		<u>276,652,482</u>	<u>392,476,476</u>
21.1 This includes balances receivables from the following associated undertakings: -			
Chakwal Spinning Mills Limited		1,962,975	1,356,933
Yousaf Weaving Mills Limited		22,626,535	7,266,736
		<u>24,589,510</u>	<u>8,623,669</u>
22 LOANS AND ADVANCES			
Current portion of loans to executives		528,000	480,000
Advances - considered good			
Suppliers		6,000,406	26,082,659
Services Providers		1,394,348	4,126,663
Others		2,953,237	1,295,646
Staff - interest free		30,842,568	34,267,604
Letters of credit		-	1,562,598
		<u>41,718,559</u>	<u>67,815,170</u>
23 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES			
Deposits - Margin with banks		8,964,991	20,561,991
Pre-payments - insurance		1,457,492	1,008,025
Sales tax receivable		16,131,237	22,792,553
		<u>26,553,720</u>	<u>44,362,569</u>
24 CASH AND BANK BALANCES			
Cash in hand		1,848,868	800,616
Cash at bank:			
In current accounts		9,305,574	9,906,831
In saving accounts	24.1	258,360	16,894
		<u>11,412,802</u>	<u>10,724,341</u>
24.1 Saving account carries interest @ 4% p.a (2015: 5% p.a)			

	Note	2016 (Rupees)	2015 (Rupees)
25 SALES - NET			
Local			
Yarn		2,974,277,884	3,235,267,430
Waste		136,750,753	226,422,242
Conversion		10,631,089	9,877,698
Local Sale Return		(11,388,408)	(20,705,419)
		3,110,271,318	3,450,861,951
Export of Yarn		1,140,462,015	2,678,752,154
Sales Tax			
Yarn		107,442,912	73,816,533
Waste		3,983,032	4,442,202
Conversion		341,580	253,680
Local Sale Return		(331,701)	(424,615)
		(111,435,823)	(78,087,800)
		4,139,297,510	6,051,526,305
26 COST OF SALES			
Raw material consumed	26.1	2,775,329,624	4,106,848,211
Salaries, wages and benefits	26.2	451,928,171	532,741,882
Fuel and power		460,670,016	626,287,294
Insurance		23,422,500	27,168,597
Packing material		112,856,696	146,573,333
Repairs and maintenance		8,311,630	8,723,431
Stores and spares consumed		73,832,328	102,367,864
Vehicle running and maintenance		5,467,048	6,511,847
Communication		1,166,047	1,205,993
Travelling and Conveyance		1,852,969	2,376,667
Doubling charges		345,000	12,086,800
Miscellaneous		29,457,018	30,451,928
Depreciation	15.3	105,607,546	100,232,130
		4,050,246,593	5,703,575,977
Work-in-process			
Opening		138,645,953	125,987,330
Closing		(115,616,723)	(138,645,953)
Cost of goods manufactured		4,073,275,823	5,690,917,354
Finished goods and waste			
Opening stock		286,101,569	315,052,981
Closing stock		(201,029,306)	(286,101,569)
		4,158,348,086	5,719,868,766

	Note	2016 (Rupees)	2015 (Rupees)
26.1 RAW MATERIAL CONSUMED			
Opening stock		920,609,685	1,331,618,902
Purchases		2,524,562,462	3,698,282,527
		<u>3,445,172,147</u>	<u>5,029,901,429</u>
Cost of raw material sold		(33,215,051)	(2,443,533)
		<u>3,411,957,096</u>	<u>5,027,457,896</u>
Closing stock		(636,627,472)	(920,609,685)
		<u>2,775,329,624</u>	<u>4,106,848,211</u>
26.2	It includes Rs.20,255,848 (2015 : Rs.30,197,340) in respect of gratuity.		
27 DISTRIBUTION COST			
Commission to selling agents		35,347,562	67,613,141
Ocean freight		11,520,123	20,988,662
Local freight		27,551,470	41,760,600
Clearing and forwarding		3,709,477	7,998,950
Export development surcharge		2,828,420	6,675,737
Others		12,129,926	12,590,663
		<u>93,086,978</u>	<u>157,627,753</u>
28 ADMINISTRATIVE			
Salaries, wages and benefits	28.1	65,532,833	67,331,429
Travelling and conveyance		1,496,624	1,533,609
Rent, rates and taxes		3,220,948	3,097,394
Printing and stationery		781,636	1,098,787
Communications		3,693,168	4,911,469
Entertainment		1,768,590	3,564,731
Electricity and gas		6,007,195	2,332,580
Vehicles running		4,776,355	6,147,868
Fee and subscription		4,971,830	2,441,846
Legal and professional		510,035	952,900
Repairs and maintenance		5,214,641	9,489,777
Donations	28.2	1,806,900	5,320,672
Miscellaneous		4,791,883	6,653,140
Depreciation	15.3	6,859,903	3,013,482
		<u>111,432,541</u>	<u>117,889,684</u>

28.1 It includes Rs.8,040,434 (2015 : Rs.10,065,780) in respect of gratuity.

28.2 None of the directors or their spouses had any interest in any of the donees.

	Note	2016 (Rupees)	2015 (Rupees)
29 FINANCE COST			
Interest / mark-up on:			
Long term loans		35,885,395	26,927,986
Finance leases		4,188,237	8,386,687
Short-term borrowings		135,445,787	186,529,578
Workers profit participation fund		5,562,348	11,908,692
Inland Letter's of Credit		3,084,312	37,609,558
Bank charges and commissions		23,643,421	40,936,752
		<u>207,809,500</u>	<u>312,299,253</u>
30 OTHER OPERATING EXPENSES			
Auditors' remuneration	30.1	875,000	875,000
		<u>875,000</u>	<u>875,000</u>
30.1 Auditors' remuneration			
Statutory audit		700,000	700,000
Half yearly review and review of code of corporate governance		175,000	175,000
		<u>875,000</u>	<u>875,000</u>
31 OTHER OPERATING INCOME			
Income from financial assets:			
Interest Income		-	6,191
Dividend Income		16,008	35,925
Exchange gain		633,269	25,747,173
Income from non financial assets:			
Gain on sale of fixed assets		-	1,828,043
Profit on sale of raw material	31.1	6,973,615	248,590
		<u>7,622,892</u>	<u>27,865,922</u>
31.1 Profit on sale of raw material			
Gross sales		(33,215,051)	2,692,123
Less: Cost of sales		40,188,666	(2,443,533)
		<u>6,973,615</u>	<u>248,590</u>
32 PROVISION FOR TAXATION			
Opening balance		13,109,286	11,313,375
For the year	32.1	41,392,975	80,515,263
Less: Paid / adjusted		(36,761,985)	(58,719,352)
		<u>4,630,990</u>	<u>1,795,911</u>
		<u>17,740,275</u>	<u>13,109,286</u>

- 32.1** This represents liability provided under Section 113 and 154 of the Income Tax Ordinance, 2001 on the basis of gross turnover from all sources.
- 32.2** The income tax assessment of the company has been finalized up to and including tax year 2015 by deeming provisions of income tax ordinance 2001, however appeals before different appellate forums are pending on various legal issues.
- 32.3** No numeric tax rate reconciliation is presented in these financial statements as the Company is liable to pay minimum tax under Section 113 and under Section 154 of the Income Tax Ordinance 2001.
- 32.4** Deferred tax asset amounting to Rs.81 million arising due to brought forward losses amounting Rs.989 million has not been recognized in the current year, as the attributable temporary differences are not expected to reverse in the foreseeable future.

	2016 (Rupees)	2015 (Rupees)
33 (LOSS) PER SHARE - Basic		
(Loss) after taxation	(466,024,678)	(289,683,492)
Weighted average number of ordinary shares	130,000,000	130,000,000
(Loss) per share - Basic	(3.58)	(2.23)

33.1 Diluted earning per share

There is no dilution effect on the basic earning per share of the Company as the company has no such commitments.

34 CASH FLOW FROM OPERATING ACTIVITIES

(Loss) before taxation	(424,631,703)	(229,168,229)
Adjustments of non cash charges and other items		
Depreciation / amortization	112,467,449	103,245,612
Gratuity	28,296,282	40,263,130
Gain on sale of fixed assets	-	(1,828,043)
Finance cost	207,809,500	312,299,253
Exchange gain	(633,269)	(25,747,173)
Operating profit before working capital changes	(76,691,741)	199,064,550
(Increase)/decrease in current assets		
Stores and spares	(7,453,620)	11,782,284
Stock-in-trade	391,872,550	427,302,006
Trade debts	115,823,994	(13,227,812)
Loan and advances	26,144,611	(7,038,591)
Trade deposits, prepayments & other receivables	17,808,849	2,437,021
	544,196,384	421,255,108
(Decrease)/Increase in current liabilities		
Trade and other payables	58,699,794	(237,987,546)
	526,204,437	382,332,112

35 CHIEF EXECUTIVE, EXECUTIVE DIRECTOR, NON EXECUTIVE DIRECTORS AND EXECUTIVES REMUNERATION

	2016 (Rupees)			2015 (Rupees)		
	CHIEF EXECUTIVE	DIRECTORS	EXECUTIVES	CHIEF EXECUTIVE	DIRECTORS	EXECUTIVES
Remuneration	4,000,000	9,180,000	10,356,600	4,000,000	7,700,000	12,086,600
House rent	1,800,000	4,131,000	4,660,476	1,800,000	3,456,000	5,438,970
Medical	919,192	2,264,309	434,679	768,706	3,670,695	1,131,934
Gratuity	-	-	1,252,075	-	-	1,648,173
Utilities	200,000	459,000	517,830	200,000	385,000	604,330
	6,919,192	16,034,309	17,221,660	6,768,706	15,220,695	20,910,007
Number of persons	1	3	9	1	3	11

35.1 The Chief Executive, Executive Director, Non Executive Directors and certain Executives were provided with company maintained cars.

35.2 During the year under review, Board of Directors of the Company approved revision of remunerations of Mr. Muhammad Naveed, Chief Executive and whole time working Directors of the Company. The Board approved a sum of Rs. 500,000/- towards monthly remuneration of the CEO and Rs.1,147,500/- for the whole time working Directors along with other facilities as per Company policy.

36 TRANSACTIONS WITH RELATED PARTIES

36.1 Transactions with related parties comprise associated undertakings and other related parties through directorship and close family members of the directors of the company.

Transactions with related parties undertaken during the year were as follows:-

	Note	2016 (Rupees)	2015 (Rupees)
Purchases of raw materials and goods			
(Yousaf Weaving Mills Limited)		20,036	248,711
(Chakwal Textile Mills Limited)		14,049,406	-
		14,069,442	248,711
Sales of raw materials and goods			
(Yousaf Weaving Mills Limited)		-	1,841,100
(Chakwal Textile Mills Limited)		97,204	-
(Chakwal Spinning Mills Limited)		741,400	-
		838,604	1,841,100
Aggregate maximum balance due at the end of any month during the year.		27,882,963	9,752,032
Short Term Loan from Directors			
Loan from directors		337,811	686,607

37 FINANCIAL RISK MANAGEMENT

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

Market Risk
 Credit Risk
 Liquidity Risk

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

a) Market Risk

i) Currency Risk

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

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

	2016 Rupees in thousand	2015 Rupees in thousand
Trade debts-USD	7,955	71,123
Supplier's credit-EURO	103,044	103,678
The following significant exchange rates were applied during the year.		
Average rate (Rupees per US Dollar)	103.37	100.86
Reporting date rate (Rupees per US Dollar)	104.70	101.70
Average rate (Rupees per Euro)	117.01	125.14
Reporting date rate (Rupees per Euro)	116.31	117.02

Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However the company is not materially exposed to foreign currency risk on assets but liabilities. As at June 30, 2016 financial assets include Rs.7.955 million (2015: Rs.71.123 million) and financial liabilities include Rs. 103.044 million (2015: Rs. 103.678 million) which are subject to foreign currency risk against US Dollars and Euro respectively.

Foreign Currency Sensitivity Analysis

At June 30, 2016 if the Rupee had weakened / strengthened by 5% against the US Dollar and Euro with all other variables held constant, profit for the year would have been lower / higher by Rs. 5.550 million (2015: Rs.8.740 million) mainly as a result of foreign exchange gains / losses on transaction of foreign currency trade debts and US Dollar and Euro denominated borrowings.

ii) Other Price Risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is exposed to other price risk only in respect of investment in KASB modaraba certificates amounting to Rs. 415,800 (2015: Rs. 532,223).

Sensitivity analysis

At June 30, 2016 if the price had decreased / increased by 5% against with all other variables held constant, profit for the year would have been lower / higher by Rs. 20,790 (2015: Rs. 26,611) mainly as a result of price variations.

iii) Interest Rate Risk

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

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

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

	2016 (Rupees)	2015 (Rupees)
Floating rate instruments		
Financial Liabilities:		
Long term financing	258,823,528	329,411,764
Liabilities against assets subject to finance lease	1,322,908	15,749,077
Short term borrowings	1,436,048,839	1,577,354,453
Financial Assets:		
Bank balance - Saving account	258,360	16,894

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 13.768 million (2015: Rs. 17.108 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. The analysis is prepared assuming the amounting of liabilities outstanding at balance sheet dates were outstanding for the whole year.

b) Credit Risk

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

	2016 (Rupees)	2015 (Rupees)
Long term loans	21,033,597	20,713,699
Long term deposits	10,561,342	10,561,342
Trade debts	276,652,482	392,476,476
Loans and advances	41,718,559	67,815,170
Sales tax receivable	16,131,237	22,792,553
Bank balance	9,563,934	9,923,725

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

Name of Bank	Rating Agency	Credit Rating		2016	2015
		Short-term	Long-term	Rupees	
Askaribank Limited	PACRA	A1+	AA	23,654	21,040
MCB Bank Limited	PACRA	A1+	AAA	4,096,180	4,297,173
National Bank of Pakistan Limited	PACRA	A-1+	AAA	2,661,029	604,914
Habib Metrobank Limited	PACRA	A1+	AA+	958,663	1,032,472
Meezan Bank Limited	JCR-VIS	A-1+	AA	1,197,036	3,745,787
Allied Bank Limited	PACRA	A1+	AA+	278,357	36,981
Habib Bank Limited	PACRA	A1+	AAA	30,629	77,872
Bank Alfiah Ltd.	PACRA	A1+	AA	295,774	84,874
Standard Chartered Bank	PACRA	A1+	AAA	22,612	22,612
				9,563,934	9,923,725

The Company's exposure to credit risk and impairment losses related to trade debts is as follow:

The impairment analysis of trade debts at the reporting date was:

	2016		2015	
	Gross	Impairment	Gross	Impairment
	Rupees			
Trade Debtors	276,652,482	-	392,476,476	-
	276,652,482	-	392,476,476	-

c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 1,471 million worth short term borrowing limits available from financial institutions and Rs. 11.413 million cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2016:

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
(Rupees)					
Supplier's credit	103,044,468	103,044,468	77,283,351	25,761,117	-
Long-term finances	364,705,882	420,238,529	135,951,969	284,286,560	-
Liabilities against leased assets	15,751,222	16,927,519	15,534,701	1,392,818	-
Trade and other payables	290,226,366	290,226,366	290,226,366	-	-
Accrued interest	43,777,952	43,777,952	43,777,952	-	-
Short term finances	1,436,048,839	1,555,930,710	1,555,930,710	-	-

Contractual maturities of financial liabilities as at June 30, 2015:

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
(Rupees)					
Supplier's credit	103,677,737	103,677,737	51,838,868	51,838,869	-
Long-term finances	400,000,000	552,960,000	132,357,648	420,602,352	-
Liabilities against leased assets	41,287,626	42,463,120	31,033,995	11,429,125	-
Trade and other payables	231,634,423	231,634,423	231,634,423	-	-
Accrued interest	43,276,302	43,276,302	43,276,302	-	-
Short term finances	1,577,354,453	1,757,567,588	1,757,567,588	-	-

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

37.2 Fair values of financial assets and liabilities

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

Financial assets as per balance sheet:

	At Ammortized Cost		At Fair Value Through Profit & Loss		Available For Sale	
	2016	2015	2016	2015	2016	2015
	(Rupees)					
Long term deposits	10,561,342	10,561,342	-	-	-	-
Long term investments	-	-	-	-	415,800	532,223
Trade debts	276,652,482	392,476,476	-	-	-	-
Loans and advances	41,718,559	67,815,170	-	-	-	-
Trade deposits, pre-payments and other receivables	26,553,720	44,362,569	-	-	-	-
Cash and bank balances	11,412,802	10,724,341	-	-	-	-
	366,898,905	525,939,898	-	-	415,800	532,223

Financial liabilities as per balance sheet:

	At Ammortized Cost		At Fair Value Through Profit & Loss	
	2016	2015	2016	2015
	(Rupees)			
Trade and other payables	290,226,366	231,634,423	-	-
Accrued Interest on loans and borrowings	43,777,952	43,276,302	-	-
Short-term borrowings	1,436,048,839	1,577,354,452	-	-
	1,770,053,157	1,852,265,177	-	-

37.3 Capital Risk Management

The Company's prime object when managing capital to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2016 (Rupees)	2015 (Rupees)
Total borrowings	2,500,754,721	2,677,354,453
Less: Cash and bank balances	11,412,802	10,724,341
Net debt	2,489,341,919	2,666,630,112
Total equity	389,760,568	842,304,938
Total capital employed	2,879,102,487	3,508,935,050
Gearing ratio	0.86	0.76

38 RECOGNIZED FAIR VALUE MEASUREMENT - FINANCIAL ASSETS

(i) Fair value hierarchy

Judgments and estimates are made for non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

As at June 2016	Level 1	Level 2	Level 3	Total
	Rupees			
Long Term Investment				
Mudaraba Certificate	415,800	-	-	-
	415,800	-	-	-
As at June 2015	Level 1	Level 2	Level 3	Total
	Rupees			
Long Term Investment				
Mudaraba Certificate	532,223	-	-	-
	532,223	-	-	-

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There was no transfer between any level during the year.

39 INFORMATION FOR ALL SHARES ISLAMIC INDEX SCREENING

DISCRIPTION	NOTE	2016		2015	
		CARRIED UNDER		CARRIED UNDER	
		Non-Shariah Arrangements	Shariah Arrangements	Non-Shariah Arrangements	Shariah Arrangements
		Rupees			

LIABILITIES

Loan From Directors	5				
Sub-ordinated loan		-	397,000,000	-	397,000,000
Free loan		-	303,000,000	-	303,000,000
Long Term Loans	6				
Demand finance		258,823,528	-	329,411,764	-
Finance Lease	7				
Liabilities Against Finance Lease		-	1,322,908	12,516,526	3,232,551
Supplier's credit	8				
Loan from machinery supplier		-	25,761,117	-	51,838,869
Trade And Other Payables	10				
Advances from customers		-	14,141,722	-	15,261,411
Short-Term Borrowings	12				
Banking Companies					
Running finance		141,946,095	-	100,499,984	-
Others		1,014,482,609	-	1,146,440,613	-
Export finance		279,282,324		329,727,249	-
Related parties - unsecured					
Loan from directors		-	337,811		686,607

DISCRIPTION	NOTE	2016		2015	
		CARRIED UNDER		CARRIED UNDER	
		Non-Shariah Arrangements	Shariah Arrangements	Non-Shariah Arrangements	Shariah Arrangements
Rupees					
ASSETS					
NON CURRENT ASSETS					
Long term loans	16				
Loans to Executives - Considered good		-	21,033,597	-	20,713,699
Long term deposits	17				
Security Deposits					
Utilities		-	10,411,342	-	10,411,342
Others		-	150,000	-	150,000
Long term investments	18				
KASB Mudaraba		-	415,800	-	532,223
CURRENT ASSETS					
Loans and advances	22				
Current portion of loans to executives		-	528,000	-	480,000
Suppliers		-	6,000,406	-	26,082,659
Services Providers		-	1,394,348	-	4,126,663
Others		-	2,953,237	-	1,295,646
Staff - interest free		-	30,842,568	-	34,267,604
Letters of credit		-	-	1,562,598	-
Trade Deposits, Short Term PrepaymentsAnd Other Receivables	23				
Deposits					
Margin with banks		-	8,964,991	-	20,561,991
Bank balances	24	258,360	9,305,574	16,894	9,906,831
INCOME					
OTHER OPERATING INCOME					
31					
Financial Assets					
Interest Income		-	-	6,191	-
Dividend Income		-	16,008	-	35,925
Exchange gain from actual currency		-	633,269	-	25,747,173
Non-Financial Assets					
Gain on sale of fixed assets		-	-	-	1,828,043
Profit on sale of raw material		-	6,973,615	-	248,590

39.1 Relationship with Banks

	Relationship	
	Non Islamic Window Operations	With Islamic Window Operations
Askari Bank	✓	✓
Meezan Bank		
MCB	✓	
Habib Metro	✓	
NBP	✓	
Bank Alfalah Limited	✓	
Habib Bank	✓	
Allied Bank	✓	
Standard Chartered Bank	✓	

	2016 (Rupees)	2015 (Rupees)
40 PLANT CAPACITY AND PRODUCTION		
Number of spindles installed	79,944	79,944
Installed capacity in 20's count based on triple shift for 365 (2015 - 365) days (kgs) - Approximately	35,984,727	35,984,727
Actual production after conversion into 20's count (kgs)	19,819,377	25,477,304

The conversion into 20's count depicts the approximate efficiency as it fluctuates with changes in count of yarn spun and count mix in a particular period.

Under utilization of available capacity was due to normal maintenance power outages and time cost in shifting of counts.

41 NUMBER OF EMPLOYEES

The total number of permanent employees at the year end were 1,957 (2015 - 2,551).

42 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on 02 December, 2016 the Board of Directors of the Company.

43 GENERAL

Figures have been rounded off to the nearest rupees.

Lahore
December 02, 2016

(Mr. Muhammad Naveed)
Chief Executive

(Khawaja Muhammad Kaleem)
Director

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

FORM 34

1. Incorporation Number **L-01895**

2. Name of the Company **KOHINOOR SPINNING MILLS LIMITED**

3. Pattern of holding of the shares held by the shareholders as at

30-06-2016

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
74	1	100	2,017
103	101	500	45,277
125	501	1,000	121,847
251	1,001	5,000	778,846
106	5,001	10,000	861,236
35	10,001	15,000	455,200
26	15,001	20,000	483,500
10	20,001	25,000	239,000
8	25,001	30,000	223,000
6	30,001	35,000	207,500
5	35,001	40,000	192,500
5	40,001	45,000	213,200
13	45,001	50,000	647,000
3	50,001	55,000	158,600
1	55,001	60,000	55,067
1	60,001	65,000	62,000
1	65,001	70,000	70,000
2	70,001	75,000	143,000
1	75,001	80,000	77,000
2	85,001	90,000	180,000
1	90,001	95,000	90,500
5	95,001	100,000	500,000
1	100,001	105,000	103,000
2	105,001	110,000	220,000
3	110,001	115,000	337,500
2	115,001	120,000	240,000
2	135,001	140,000	276,000
3	145,001	150,000	444,000
1	155,001	160,000	158,500
1	165,001	170,000	169,000
1	175,001	180,000	180,000
3	195,001	200,000	600,000
1	200,001	205,000	203,000
1	230,001	235,000	230,500
1	240,001	245,000	244,000
1	245,001	250,000	245,500
1	255,001	260,000	257,500
1	265,001	270,000	266,500
1	270,001	275,000	275,000
1	295,001	300,000	300,000
1	420,001	425,000	423,500
2	525,001	530,000	1,056,500
1	535,001	540,000	535,827
1	820,001	825,000	824,000
1	1,985,001	1,990,000	1,985,500
1	2,760,001	2,765,000	2,762,000
1	3,815,001	3,820,000	3,820,000
1	4,205,001	4,210,000	4,205,250
1	5,430,001	5,435,000	5,431,500
1	6,180,001	6,185,000	6,181,500
1	6,485,001	6,490,000	6,490,000
1	9,000,001	9,005,000	9,095,600
1	10,510,001	10,515,000	10,513,500
1	17,485,001	17,490,000	17,489,500
1	19,960,001	19,965,000	19,960,250
1	28,700,001	28,705,000	28,659,283
828			130,000,000

5.	Categories of shareholders	Share held	Percentage
5.1	Directors, Chief Executive Officers, and their spouse and minor children	91,457,454	70.3519
5.2	Associated Companies, undertakings and related parties.	0	-
5.3	NIT and ICP	100	0.0001
5.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	9,305,925	7.1584
5.5	Insurance Companies	53,100	0.0408
5.6	Modarabas and Mutual Funds	592,827	0.4560
5.7	Share holders holding 10% or more	81,068,204	62.3602
5.8	General Public		
	a. Local	22,232,395	17.1018
	b. Foreign	0	-
5.9	Others (to be specified)		
	1- Joint Stock Companies	4,286,800	3.2975
	2- Investment Companies	1,985,500	1.5273
	3- Foreign Companies	14,900	0.0115
	4- Pension Funds	55,067	0.0424
	5- Others	15,932	0.0123

6.	Signature of Company Secretary	
7.	Name of Signatory	
8.	Designation	Company Secretary
9.	NIC Number	
10	Date	30 06 2016

**Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2016**

		No. of Shares	
Sr. No.	Name	Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
Mutual Funds (Name Wise Detail)			
1	GOLDEN ARROW SELECTED STOCK FUND	500	0.0004
2	PRUDENTIAL STOCK FUND LTD. (CDC)	6,000	0.0046
3	PRUDENTIAL STOCK FUND LTD. (03360) (CDC)	50,000	0.0385
4	CDC TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	535,827	0.4122
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	KHAWAJA MUHAMMAD JAVAID	20,383,750	15.6798
2	KHAWAJA MUHAMMAD JAHANGIR PHINO	6,181,500	4.7550
3	KHAWAJA MUHAMMAD TANVEER	4,205,250	3.2348
4	KHAWAJA MUHAMMAD KALEEM	28,667,854	22.0522
5	KHAWAJA MUHAMMAD NADEEM	17,489,500	13.4535
6	MR. MUHAMMAD NAVEED	14,527,100	11.1747
7	MR. MUHAMMAD HAMZA YOUSAF	1,500	0.0012
8	MR. MUHAMMAD TARIQ SUFI	1,000	0.0008
Executives:		-	-
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance		9,414,592	7.2420
Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:			
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
S. No.	NAME	Holding	%Age
1	KHAWAJA MUHAMMAD KALEEM	28,667,854	22.0522
2	KHAWAJA MUHAMMAD NAVEED	14,527,100	11.1747
3	KHAWAJA MUHAMMAD JAVAID	20,383,750	15.6798
4	KHAWAJA MUHAMMAD NADEEM	17,489,500	13.4535
5	MR. NADEEM BASHIR (CDC)	10,513,500	8.0873

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

S. No.	NAME	SALE	PURCHASE
1	MR. MUHAMMAD NAVEED	10,605,000	-
2	KHAWAJA MUHAMMAD KALEEM	42,700	-

Form of Proxy - 44th Annual General Meeting

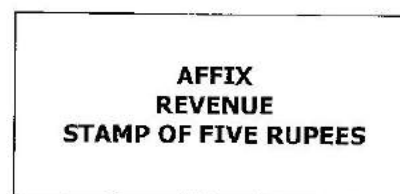
The Corporate Secretary
Kohinoor Spinning Mills Limited
7/1 E-3 Main Boulevard Gulberg III, Lahore

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

I/We _____ of _____
being a member (s) of KOHINOOR SPINNING MILLS LIMITED hold _____ ordinary shares hereby appoint
Mr./Mrs./Miss _____ of _____ or
failing him/her _____ of _____ as my /our
Proxy to attend and vote for me/us and on my/our behalf at the 44th Annual General Meeting of the Company to
be held on Friday, 30th December, 2016 at 11:00 a.m. at 7/1 E-3 main boulevard gulberg III, Lahore and at every
adjournment thereof.

Signed this _____ day of _____ 2016.

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



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

Signature: _____

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

IMPORTANT

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

پراکسی فارم (مختار نامہ)

رجسٹر فوئیو نمبر

سیکرٹری
کوہ نور سپننگ ملز لمیٹڈ

E-3 7/1 ملین بولیوار ڈگلبہرگ-III لاہور۔

میں ام
ساکن
بحیثیت رکن عامل
عام حصص برطانیہ شیئر رجسٹر فوئیو نمبر
(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر
بذریعہ ہذا
محترم 1 محترمہ ساکن
جو کمپنی کا ممبر ہے برطانیہ چیئر رجسٹر فوئیو نمبر
(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر
یا اسکی غیر موجودگی میں محترم 1 محترمہ ساکن
جو کمپنی کا ممبر ہے برطانیہ چیئر رجسٹر فوئیو نمبر
(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر
مورخہ 30 دسمبر 2016ء کو مستقر ہونے والے کمپنی کے 44 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا اہار بطور مختار (پراکسی) مقرر
کرتا ہوں کرتے ہیں۔

5 روپے کار سیدی ٹکٹ
چسپاں کریں

دستخط کمپنی کے ہاں رجسٹرڈ نمونہ دستخطوں کے
مطابق ہونے چاہئیں

دستخط آج بروز تاریخ 2016ء

1. گواہ	2. گواہ
دستخط	دستخط
نام	نام
پتہ	پتہ
شناختی کارڈ نمبر	شناختی کارڈ نمبر

نوٹ:

1. اگر ایک ممبر اجلاس میں شرکت کے قابل نہیں ہے تو وہ اس فارم پر دستخط کرے اور کمپنی کے رجسٹرڈ آفس بمقام E-3 7/1 ملین بولیوار ڈگلبہرگ-III لاہور پر اس طور ارسال کر دے کہ اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل پہنچ جانا چاہیے۔
2. اگر کوئی ممبر ایک سے زیادہ مختار نامزد کرے گا یا پراکسی فارم جمع کرائے گا تو وہ باطل تصور کیا جائے گا۔