

**KOHINOOR SPINNING MILLS
LIMITED**

Audited Financial Statements

For The Year Ended

June 30, 2017

KOHINOOR SPINNING MILLS LIMITED
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 45th Annual General Meeting of **KOHINOOR SPINNING MILLS LIMITED** will be held on Monday, November 27, 2017 at 04:00 p.m. at 7/1 E-3 Main Boulevard Gulberg-III, Lahore to deal with the following matters :-

1. To confirm the minutes of last EOGM held on May 05, 2017.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2017 together with the reports of directors and auditors thereon.
3. To appoint auditors for the year ending June 30, 2018 and to fix their remuneration.
4. To transact any other business which may be brought forward with the permission of the Chair.

Lahore:
November 05, 2017

BY ORDER OF THE BOARD
HASSAN AHMAD KHAN
Company Secretary

BOOK CLOSURE

The Member's Register will remain closed from November 21, 2017 to November 27, 2017 (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 November 20, 2017 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 June 30, 2016 alongside directors and auditor's report thereon on its website <http://www.kohinoorspinningmills.com>

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors have the honor to present annual report of your Company together with audited financial statements and auditors' report thereon for the year ended 30th June 2017.

Financial Performance:

Your Company has incurred after tax loss of Rs. 681.989 million as compared to after tax loss of Rs. 466.025 million for the corresponding last year. This year proved to be a disaster for Pakistan spinning industry. Absence of yarn demand in export markets, oversupply of yarn in local market, rising raw material prices and decreasing yarn 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. 4,139 million in 2016 to Rs. 2,063 million in the current year (a decrease of whopping 50.16%). Sales were reduced mainly due to lower yarn production which in turn was due to absence of yarn demand and non-viability of higher yarn sale volume. Export sales have been minimal this year showing a glimpse of pathetic yarn export market. Similarly, gross loss (of 0.46%) of last year jumped to 18.43% this year. The management has tried its best to keep administrative expenses under control resulting in 23.30% reduction as compared to the corresponding last year. Finance cost has decreased by 22.80%.

(Loss) Per Share (EPS):

The Basic loss per share (EPS) of the Company for the year 2017 remained at Rs. 5.25 (2016: earning per share was Rs. 3.58).

Going Concern Assumption:

The auditors have emphasized that due to circumstances described in Note 1.2 to the financial statements the Company may not be able to continue as a going concern. However, the management has prepared the annexed financial statements on going concern basis due to reasons explained in Note 1.2 to the financial statements. The auditors have not qualified their opinion in this respect.

Conversion of Directors' Loan Into Equity:

Subsequently, Securities and Exchange Commission of Pakistan (SECP) has accorded approval of issuance of further shares other than right issue (under Section 83 of the Companies Act, 2017) vide letter No. CSD/CI/28/2005-619 dated October 10, 2017 on the basis of special resolution passed by the

shareholders of the Company in the Extra Ordinary General Meeting held on May 05, 2017. In compliance with the said approval, we have issued shares to the following directors on 16th October 2017:

	(No. of Shares)
Mr. Khawaja Muhammad Kaleem	42,285,714
Mr. Khawaja Muhammad Nadeem	5,857,143
Muhammad Naveed	<u>37,571,428</u>
Total	<u>85,714,285</u>

These shares have been issued @Rs. 7 (inclusive of Rs. 2 premium) per share. After this issue, total paid up capital comprises of 215,714,285 shares (i.e. Rs. 1,078,571,425). This is exclusive of share premium amount of Rs. 171,428,570 Rs. 2 per share premium on issue of 85,714,285 shares).

Major Risks and Risk Management:

The Board of Directors regularly reviews the risk matrix in terms of impact and probability of occurrence and is responsible for risk mitigation measures. The Company's ability to continually assess market conditions and then react decisively, allows the Company to manage risks responsibility and take opportunities to strengthen the position of the Company when they arise.

Credit Risk:

All financial assets of the Company except cash in hand are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. Exposure is managed through application of credit limits to its customers and diversification of its deposits placed with top ranked banks.

Interest Rate Risk:

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

Foreign Exchange Risk:

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currencies. The Company is mainly exposed to long term Euro/PKR on foreign currency supplier's credit.

Future Outlook:

The current scenario of Pakistan textile industry is still depressing and the main cause is decline in exports on account of higher cost of production which made our yarn products un competitive in international market. Cotton prices are increasing whereas yarn prices in local yarn market are declining due to oversupply and depressing fabric rates. The Federal Government had announced

textile package of Rs. 180 billion for five export oriented sectors. This package could not prove help in boosting yarn exports due to delayed remittance of export rebate. Certain basic issues still remain unresolved like inter-province system gas disparity, unavailability of system gas to users in Punjab, provision of costly RLNG to Punjab textile units and artificial level of Pak rupee against US \$.

The Government has to take well planned concrete steps to uplift the textile sector and economy including resolution of basic issues. But unfortunately in the prevailing political situation of the country there is hardly any chance of Government support to the textile industry.

In our opinion, spinning industry has entered into a crucial stage of survival. If we survive through this tough era, we may be able to grow in future otherwise survival scenario for most of spinning units is quite bleak.

After increase in paid up capital, we are hopeful of getting banking support for our future plans. We aim to enter into value added yarn market. To enter and survive in the proposed market, we need huge working capital. We are trying our best to arrange the same so that the Company once again starts its journey towards profitability. This revival plan is being implemented on a fast track basis and we expect much better results in coming reporting periods. We are confident that with this new plan, our Company would come out of red in due course of time. The management is fully committed to tackle this challenging situation and directors are already injecting funds as and when required by the Company.

Committee of The Board

In compliance with the Code of Corporate Governance, the Board of directors had formed the following committees:

-Audit Committee

-HR & Remuneration Committee

The names of the members of the above committees are given in the Company information.

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

Auditors:

The present auditors of the Company have completed the annual audit for the year ended 30 June 2017 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 2018.

Compliance with the Code of Corporate Governance:

The requirements of the Code of Corporate Governance set out by the Pakistan Stock Exchange in its Listing Regulations have been adopted by the Company and have been duly complied with. A statement to this effect is annexed to the Report.

Corporate Governance & Financial Reporting Framework:

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

- i) The financial statements prepared by the management of the Company present fair state of Company's operations, cash flows and changes in equity.
- ii) Proper books of account of the Company have been maintained.
- iii) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based upon reasonable and prudent judgment.
- iv) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements, and any departures there from has been adequately disclosed and explained.
- v) The system of internal control is sound in design and has been effectively implemented and monitored.
- vi) There are no significant doubts upon the Company's ability to continue as a going concern.
- vii) Key operating and financial data for the last six years is annexed.
- viii) There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2017 except for those disclosed in the financial statements.
- ix) No adverse material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.
- x) The company has neither declared dividend nor issued bonus shares because of loss sustained by the Company for the year ended 30th June 2017.
- xi) The Company is fully compliant with the requirement of Rule 5.19.7 (Directors' Training Program) of Pakistan Stock Exchange Regulation.
- xii) There are no overdue loans except as stated in financial statements. The management is negotiating with lenders to settle the issue amicably.

Pattern of Shareholding:

The pattern of shareholding as on 30th June 2017 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 consistently endeavors to uplift communities that are influenced directly or indirectly by our business.

Environment, Health and Safety:

The Company maintains safe working conditions avoiding the risk to the health of employees and public at large. The management has maintained safe environment in all its operations throughout the year and is constantly upgrading their safety and living facilities.

Safety is a matter of concern for machinery as well as the employees working at plant. fire extinguishers and other fire safety equipments have been placed at sites as well as head office of the Company. Regular drills are performed to ensure efficiency and efficacy of fire safety equipments.

Company's Shareholders and Staff:

The Board is thankful to the Company's shareholders for their continuing confidence in the Company. The Board also wishes to express its gratitude to all the Company's employees for their hard work, loyalty and dedication.

For and on behalf of the Board

Date: 05 November 2017

Lahore:



Muhammad Naveed

Chief Executive Officer

ڈائریکٹر رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2017 کے اختتام شدہ مالی سال کے سالانہ نتائج جمع مالی حسابات اور آڈیٹر رپورٹ پیش کرتے ہوئے فخر محسوس کرتے ہیں۔

مالیاتی کارکردگی

آپ کی کمپنی کو پچھلے سال کے 466.025 ملین روپے بعد از ٹیکس خسارے کے مقابلے میں اس سال 681.989 ملین روپے بعد از ٹیکس خسارہ ہوا ہے۔ یہ سال پاکستان کی دھاگے کی صنعت کے لیے تباہ کن ثابت ہوا ہے۔ برآمدی منڈی میں دھاگے کی طلب کی عدم موجودگی، مقامی منڈی میں دھاگے کی زائد رسد، خام مال کی بڑھتی قیمتیں اور دھاگے کی گرتی قیمتیں، شعبہ توانائی پر مختلف النوع ٹیکسوں کا لاگو ہونا اور بجلی کی رسد میں کمی اس سال پچھلے سال کے مقابلے میں اس منفی نتیجے کی وجہ ہے۔

اس سال کی فروخت 2016 کی 4139 ملین روپے کی فروخت سے کم ہو کر 2063 ملین روپے پر آگئی ہے (%50.16 کی کمی کے ساتھ)۔ فروخت میں کمی کی وجہ دھاگے کی کم پیداوار جس کی وجہ طلب کی عدم موجودگی اور دھاگے کی بڑے حجم میں فروخت کا منافع بخش نہ ہونا تھی۔

اس سال برآمدی فروخت کم ترین سطح پر رہی جو انتہائی غیر موزوع برآمدی منڈی کی جھلک پیش کرتی ہے۔ اسی طرح پچھلے سال کا مجموعی خسارہ (%0.46) اس سال %18.43 تک پہنچ چکا ہے۔ منتظمین نے انتظامی اخراجات کو کم رکھنے کی ہر ممکن کوشش کی ہے۔ جس کے نتیجے میں یہ پچھلے سال کے مقابلے میں اس سال %23.3 کم رہے۔ مالی اخراجات میں %22.80 کی واقع ہوئی۔

فی حصص خسارہ

کمپنی کا بنیادی فی حصص خسارہ 2017 میں 5.25 روپے رہا (2016: فی حصص خسارہ 3.58 روپے)۔

کمپنی کا کاروبار چلنے کا مفروضہ

محاسب نے اس سال کے حسابات کی رپورٹ میں درج نوٹ نمبر 1.2 میں کمپنی کے کاروبار کے چلنے کے مفروضے پر توثیق کا اظہار کیا ہے۔ تاہم مینجمنٹ نے لف حسابات کمپنی کے کاروبار چلنے کے مفروضے پر ہی بنائے ہیں جس کی وجہ نوٹ نمبر 1.2 میں درج ہے۔ محاسب کو ان حالات پر جو نوٹ نمبر 1.2 میں درج ہیں کوئی اعتراض نہیں ہے۔

ڈائریکٹرز کے قرضے کی ایکویٹی میں تبدیلی

بعد از اس سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے کمپنیز ایکٹ 2017 کے سیکشن 83 کے تحت (رائٹ اشو کے علاوہ مزید حصص بمطابق خط نمبر CSD/CI/28/2005-619 بتاریخ 10 اکتوبر 2017 جاری کرنے کی منظوری دی ہے جس کی بنیاد 5 مئی 2017 کو منعقد ہونے والے غیر معمولی اجلاس عام میں حصہ داران کی جانب سے منظوری کی گئی خصوصی قرارداد کو بنایا گیا۔ اس منظوری کی تعمیل میں ہم نے 16 اکتوبر 2017 کو مندرجہ ذیل ڈائریکٹران کو حصص جاری کئے ہیں۔

(حصص کی تعداد)

42,285,714	خواجہ محمد کلیم
5,857,143	خواجہ محمد ندیم
37,571,428	محمد نوید
<u>85,714,285</u>	نائل

یہ حصص 7 روپے (بشمول 2 روپے پریمیم) فی حصص کے حساب سے جاری کئے گئے ہیں۔ اس اجراء کے بعد مکمل ادا شدہ سرمایہ 215,714,285 حصص (1,078,571,425 روپے) پر مشتمل ہے۔ اس میں 85,714,285 حصص پر 2 روپے فی حصص پریمیم (171,428,570 روپے) شامل نہیں ہے۔

اہم رسک اور رسک مینجمنٹ

بورڈ آف ڈائریکٹرز خطرات کو باقاعدگی سے امکان اور اثر کے حوالے سے جانچتا ہے اور ان کو کم کرنے کا زامہ دار ہے۔ کمپنی کی منڈی کے حالات کو مسلسل جانچنے کی قابلیت اور پھر فیصلہ کن طور پر ردیمل دینا کمپنی کو خطرات سے نمٹنے اور مواقع سے فائدہ اٹھانے میں مدد فراہم کرتا ہے۔

(ا) کریڈٹ رسک

کمپنی کے تمام مالیاتی اثاثہ جات ماسوائے نقد کیش کے کریڈٹ رسک کا شکار ہو سکتے ہیں۔ کمپنی یقین رکھتی ہے کہ یہ کریڈٹ رسک کے بڑے ارتکاز پر منکشف نہیں ہوگی۔ کریڈٹ رسک کے انکشاف کو گاہکوں پر کریڈٹ حدود لگا کر اور اپنے کیش کو اعلیٰ درجے کے بنکوں میں بانٹ کر جمع کرانے سے کم کرتے ہیں۔

(ب) شرح سود کا رسک

اگر چہ سیٹ بینک نے ڈس کاؤنٹ ریٹ 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۔

(ج) زرمبادلہ کا رسک

زرمبادلہ کا رسک پیدا ہوتا ہے جب زرمبادلہ میں لین دین کی وجہ سے قابل وصول اور واجبل ادائیگیاں جات پائے جائیں۔ کمپنی یورو میں طویل مدتی مہیا کنندہ کے قرضے کی وجہ سے زرمبادلہ رسک پر منکشف ہے۔

مستقبل بارے نقطہ نظر

پاکستان کی ٹیکسٹائل صنعت کا موجودہ منظر نامہ ابھی تک مایوس کن ہے اور برآمدات میں کمی بڑی وجہ ہے جو زیادہ پیداواری لاگت کی وجہ سے ہے جس نے ہماری سوتی مصنوعات کو بین الاقوامی منڈی میں مقابلے کے قابل نہیں رہنے دیا۔ روٹی کی قیمت میں اضافہ ہو رہا ہے، جبکہ مقامی منڈی میں دھاگے کی قیمت میں کمی ہو رہی ہے جو زائد رسد اور کپڑے کے مایوس کن نرخوں کی وجہ سے ہے۔ وفاقی حکومت نے پانچ برآمد پر مبنی شعبوں کے لیے 180 ارب روپے کے ٹیکسٹائل پیکیج کا اعلان کیا ہے۔ یہ پیکیج دھاگے کی برآمدات کو بڑھانے میں مدد فراہم نہیں کر سکا جس کی وجہ برآمدی تخفیف کی ترسیلات میں تاخیر ہے۔ بعض بنیادی مسائل ابھی تک حل طلب ہیں جیسے کہ قدرتی گیس میں بین الصوبائی عدم مساوات، قدرتی گیس کی پنجاب کے صارفین کو عدم دستیابی، پنجاب کے ٹیکسٹائل اداروں کو ہنگی RLNG کی فراہمی اور پاکستانی روپے کی امریکی ڈالر کے مقابلے میں مصنوعی سطح۔ حکومت کو ٹیکسٹائل شعبے اور معیشت کی بہبود کے لیے اچھی منصوبہ بندی کے ساتھ مضبوط قدم اٹھانے کے ساتھ بنیادی مسائل کو حل کرنا ہوگا۔ لیکن بد قسمتی سے موجودہ ملکی سیاسی صورت حال کی وجہ سے ٹیکسٹائل شعبے کو حکومتی حمایت کی امید نہیں کی جاسکتی۔

ہماری رائے میں سپنگ کی صنعت بقا کے فیصلہ کن مرحلے میں داخل ہو چکی ہے۔ اگر ہم اس مشکل دور سے نکل گئے تو شاید مستقبل میں ہم ترقی کر سکیں ورنہ زیادہ تر سپنگ اداروں کے لیے بقا بہت مشکل ہے۔ اداسدہ سرمائے میں اضافے کے بعد ہم اپنے مستقبل کے منصوبوں کے لیے بینکوں کی حمایت کی امید رکھتے ہیں۔ ہم دھاگے کی ویلیو ایڈڈ (value added) منڈی میں داخل ہونے کے خواہاں ہیں۔ مجوزہ منڈی میں داخل ہونے اور باقی رہنے کے لیے ہمیں بڑے پیمانے پر سرمایہ درکار ہے۔ ہم اس کو حاصل کرنے کی پوری سعی کر رہے ہیں تاکہ کمپنی دوبارہ منافع کی طرف سفر شروع کر سکے۔ ہم اپنا اکیلا منصوبہ بہت تیزی سے نافذ کر رہے ہیں اور آنے والی رپورٹنگ مدت میں بہتر نتائج کی امید کرتے ہیں۔ ہم پر اعتماد ہیں کہ اس نئے منصوبے کیساتھ ہماری کمپنی مناسب وقت پر خطرے سے باہر نکل آئیگی۔ مینجمنٹ ان چیلنجنگ حالات کا مقابلہ کرنے کیلئے پرعزم ہے۔ ڈائریکٹرز جب بھی کمپنی کو ضرورت پڑتی ہے فنڈ مہیا کرتے ہیں۔

بورڈ کی کمیٹیاں

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ آف ڈائریکٹرز نے مندرجہ ذیل کمیٹیاں بنائی ہیں۔

- آڈٹ کمیٹی

- انسانی وسائل اور معاوضہ کمیٹی

ان کمیٹیوں کے ممبران کے نام کمپنی کی معلومات میں دیے گئے ہیں۔

بورڈ کے اجلاس

موجودہ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس پاکستان میں ہوئے اور ڈائریکٹرز کی حاضری اس طرح رہی۔

نام	تعداد حاضری
خواجہ محمد جاوید	4 دفعہ
محمد نوید	4 دفعہ
خواجہ محمد جہانگیر	4 دفعہ

خواجه محمد تنویر	4 دفعہ
خواجه محمد کلیم	4 دفعہ
خواجه محمد ندیم	4 دفعہ
محمد حمزہ یوسف	4 دفعہ
محمد طارق صوفی	4 دفعہ

بورڈ کمیٹیاں

آڈٹ کمیٹی

آڈٹ کمیٹی، بورڈ آف ڈائریکٹرز کی ہدایات کے مطابق اپنی ذمہ داریاں سرانجام دے رہی ہے۔ اس سال آڈٹ کمیٹی کے چار اجلاس ہوئے اور حاضری اس طرح رہی۔

نام	تعداد حاضری
خواجه محمد جہانگیر	4 دفعہ
خواجه محمد کلیم	4 دفعہ
خواجه محمد ندیم	4 دفعہ

انسانی وسائل اور معاوضہ کمیٹی

انسانی وسائل اور معاوضہ کمیٹی بورڈ آف ڈائریکٹرز کی ہدایات کے مطابق اپنی ذمہ داریاں سرانجام دے رہی ہے۔ اس سال انسانی وسائل اور معاوضہ کمیٹی کا صرف ایک اجلاس ہوا اور حاضری اس طرح رہی۔

نام	تعداد حاضری
خواجه محمد کلیم	1 دفعہ
خواجه محمد ندیم	1 دفعہ
محمد نوید	1 دفعہ

محاسب

کمپنی کے موجودہ محاسب نے 30 جون 2017 پر ختم شدہ سال کا سالانہ آڈٹ مکمل کر لیا ہے اور آڈٹ رپورٹ میں کوئی اعتراض نہیں اٹھایا۔ موجودہ محاسب کی خدمات کمپنی کے سالانہ عام اجلاس میں واپس کر دی جائیں گی اور اہل ہونے کے ناطے انھوں نے 30 جون 2018 پر اختتام پذیر ہونے والے سال کے لیے دوبارہ اپنی خدمات پیش کرنے کی خواہش ظاہر کی ہے۔

کوڈ آف کارپوریٹ گورننس کی تعمیل

کوڈ آف کارپوریٹ گورننس کی شرائط جو پاکستان سٹاک ایکسچینج نے اپنے لسٹنگ کے اصولوں میں وضع کی ہیں کمپنی نے اختیار کی ہیں اور ان کی صحیح تعمیل کی ہے۔ اس کی تعمیل کا بیان رپورٹ کے ساتھ منسلک کیا گیا ہے۔

کارپوریٹ گورننس اور مالیاتی رپورٹنگ فریم ورک

کوڈ آف کارپوریٹ گورننس کے مطابق، ڈائریکٹرز یہ بتاتے ہوئے خوشی محسوس کرتے ہیں کہ:

- کمپنی کے منتظمین کی جانب سے تیار کردہ حسابات کمپنی کے معاملات، نقدی بہاؤ اور ایکویٹی میں تبدیلی کی شفافیت کو ظاہر کرتے ہیں۔
- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

(iii) مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں یکساں طور پر لاگو کی گئی ہیں اور اکاؤنٹنگ تخمینہ جات (estimates) مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

(iv) بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS)، جیسے کہ پاکستان میں قابل عمل ہیں، پر حسابات بناتے وقت عمل کیا گیا ہے اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔

(v) اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اس پر موثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔

- (vi) کمپنی کا کاروبار چالو رہنے میں کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- (vii) کمپنی کے گزشتہ چھ سالوں کے چلنے اور مالیات سے متعلق کلیدی اعداد و شمار منسلک کئے گئے ہیں۔
- (viii) 30 جون 2017 پر کوئی واجب الادا ٹیکس، ڈیوٹی، محصول اور چارج نہیں ہے ماسوائے جو حسابات میں درج کئے گئے ہیں۔
- (ix) اس مالیاتی سال جس سے ان حسابات کا تعلق ہے کے اختتام سے لے کر ڈائریکٹر رپورٹ کی تاریخ تک حسابات پر اثر انداز ہونے والی کوئی اہم تبدیلی اور وعدے نہیں ہیں۔
- (x) 30 جون 2017 پر اختتام پر یہ ہونے والے سال کے دوران خسارے کی وجہ سے کسی ڈیویڈنڈ کا اعلان اور بونس کا اجرا نہیں کیا گیا۔
- (xi) کمپنی پاکستان شاک ایجنسی کے اصولوں کے اصول نمبر 5.19.7 (ڈائریکٹروں کی ٹریننگ) پر پوری طرح عمل پیرا ہے۔
- (xii) کوئی زائد المعیاد قرض نہیں ہے ماسوائے جو حسابات میں درج ہیں۔ منتظمین قرض خواہوں سے بات چیت جاری رکھے ہوئے ہیں تاکہ مسائل کو خوش اسلوبی سے حل کیا جاسکے۔

حصص کا طریقہ کار

30 جون 2017 کی تاریخ میں کوڈ آف کارپوریٹ گورننس کے مطابق مطلوبہ تفصیل لف ہے۔

منظم سماجی ذمہ داری

کمپنی اپنی منظم سماجی ذمہ داریوں سے مکمل طور پر آگاہ ہے اور سماجی بہبود کے لیے تسلسل کے ساتھ کوشش کرتی ہے خواہ سماج ہمارے کاروبار سے بالواسطہ یا بلاواسطہ اثر انداز ہو۔

ماحول، صحت اور حفاظت

کمپنی کام کرنے کے لیے محفوظ ماحولیات فراہم کرتی ہے تاکہ ملازمین اور عوام کو خطرات سے محفوظ رکھا جاسکے۔ منتظمین نے سال کے دوران محفوظ ماحول فراہم کیا ہے اور حفاظتی اور روزمرہ کی سہولیات کو تسلسل کے ساتھ بہتر بنایا ہے۔

حفاظت کا معاملہ مشینری اور مل ملازمین دونوں سے متعلق ہے۔ فائر اسکیمنگ ویش اور دیگر آگ بجھانے کے آلات کمپنی کی ملوں اور مرکزی دفتر میں رکھے گئے ہیں۔ آگ بجھانے کے حوالے سے تسلسل کے ساتھ مشقیں کی جاتی ہیں۔

کمپنی کے حصہ داران اور شفاف

بورڈ کمپنی کے حصہ داران کا تسلسل کے ساتھ اعتماد کی وجہ سے شکر گزار ہے۔ بورڈ کمپنی ملازمین کی انتھک محنت، وفاداری اور لگن کی وجہ سے بھی شکریہ کا خواہشمند ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے

محمد نوید

چیف ایگزیکٹو آفیسر

تاریخ: 5 نومبر 2017

لاہور

KEY FINANCIAL DATA OF LAST SIX YEARS

		Year ended June 30					
		2017	2016	2015	2014	2013	2012
Profit and Loss Summary							
Sales-Net	Pak-Rs.	2,063,046,395	4,139,297,510	6,051,526,305	6,822,993,716	6,230,120,498	5,627,854,703
Gross profit/(Loss)	Pak-Rs.	(380,244,852)	(19,050,576)	331,657,539	747,432,402	846,697,751	563,714,413
Operating Profit/(Loss)	Pak-Rs.	(475,404,982)	(223,570,095)	56,140,102	472,318,028	573,736,076	383,234,950
Profit/(Loss) before Tax	Pak-Rs.	(632,518,082)	(424,631,703)	(229,168,229)	189,182,609	309,694,041	155,928,819
Profit/(Loss) after tax	Pak-Rs.	(681,989,368)	(466,024,678)	(289,683,492)	120,952,672	265,523,955	106,403,464
Profit before Interest, tax, depreciation and amortization (EBITDA)	Pak-Rs.	(364,777,704)	(104,354,754)	186,376,636	539,429,162	638,861,412	456,180,125
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.	(943,099,559)	(260,250,218)	192,304,938	488,020,366	377,513,397	130,639,714
Share Holder's Equity	Pak-Rs.	(293,099,559)	389,749,782	842,304,938	1,138,020,366	1,027,513,397	780,639,714
Non Current Liabilities (Excluding loan from directors)	Pak-Rs.	284,617,629	393,728,427	491,373,267	254,512,419	192,015,363	279,047,115
Loan From Directors	Pak-Rs.	1,000,526,516	700,000,000	700,000,000	700,000,000	397,000,000	397,000,000
Current Assets	Pak-Rs.	1,259,213,456	1,409,723,125	1,953,183,048	2,374,470,897	2,127,045,965	1,402,754,738
Current Liabilities	Pak-Rs.	2,191,150,757	1,985,387,452	2,036,869,528	2,288,975,876	2,102,607,774	1,502,740,142
Working Capital	Pak-Rs.	(931,937,302)	(575,664,327)	(83,686,480)	85,495,022	24,438,191	(99,985,404)
Property, plant and Equipment	Pak-Rs.	1,913,004,745	2,027,131,797	2,085,557,422	1,979,823,212	1,566,318,684	1,538,351,388
Other Non Current Assets	Pak-Rs.	10,977,142	32,010,739	31,807,264	27,214,551	25,771,885	18,320,845
Total Assets	Pak-Rs.	3,183,195,343	3,468,865,660	4,070,547,733	4,381,508,661	3,719,136,534	2,959,426,971
Total Liabilities (Excluding loan from directors)	Pak-Rs.	2,475,768,386	2,379,115,879	2,528,242,795	2,543,488,295	2,294,623,137	1,781,787,257
Total Borrowings	Pak-Rs.	1,884,741,505	1,919,212,600	2,121,633,209	1,913,261,694	1,743,692,693	1,442,908,251
Capital Employed	Pak-Rs.	1,591,641,945	2,308,962,382	2,963,938,147	3,051,282,060	2,771,206,090	2,223,547,965
Cash Flow Summary							
Cash flows of Operating Activities	Pak-Rs.	(307,427,658)	257,342,171	(143,649,502)	38,311,172	(178,894,784)	9,504,158
Cash flows of Investing Activities	Pak-Rs.	35,438,597	(54,409,723)	(212,155,296)	(505,233,243)	(122,959,889)	(361,886,360)
Cash flows of Financing Activities	Pak-Rs.	262,952,630	(202,243,986)	355,619,057	468,247,389	305,009,656	351,825,419
Net change in cash and cash equivalents	Pak-Rs.	(9,036,431)	688,462	(185,741)	1,325,318	3,154,983	(556,783)
Cash and cash equivalents at the end of the year	Pak-Rs.	2,376,370	11,412,802	10,724,341	10,910,082	9,584,765	6,429,782
Profitability and Operating Ratios							
Gross Profit Margin	%	(18.43)	(0.46)	5.48	10.95	13.59	10.02
Net Profit to sales	%	(33.06)	(11.26)	(4.79)	1.77	4.26	1.89
Return on Equity	%	(174.98)	(55.33)	(25.46)	11.77	34.01	25.84
Return on Capital employed	%	(29.54)	(15.72)	(9.49)	4.36	11.94	4.79
Liquidity Ratios							
Current	Times	0.57	0.71	0.96	1.04	1.01	0.93
Quick/Acid test	Times	0.11	0.18	0.25	0.22	0.21	0.16
Activity/Turnover Ratios							
Inventory Turnover	Times	2.37	3.34	3.45	3.42	3.80	4.78
No. of Days in inventory	Days	154	109	106	107	96	76
Debtors Turnover	Times	12.87	14.96	15.42	17.99	19.37	38.17
No. of Days in Receivables	Days	28	24	24	20	19	10
Creditors Turnover	Times	19.77	36.64	41.68	18.46	21.42	54.23
No. of Days in Payable	Days	18	10	9	20	17	7
Total Assets Turnover	Times	0.62	1.19	1.43	1.68	1.87	2.03
Fixed Assets Turnover	Times	1.08	2.04	2.90	3.45	3.98	3.66
Operating Cycle	Days	164	124	121	107	98	79
Investment/Market Ratios							
Earning Per share	Times	(5.55)	(3.58)	(2.23)	0.93	2.04	0.82
Capital Structure Ratio							
Gearing Ratio	%	118.41	83.12	71.58	62.70	62.92	64.89

KOHINOOR SPINNING MILLS LIMITED

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 of Rule Book 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 Mohammad Javed 2. Mr. Mohammad Naveed 3. Khawaja Mohammad Tanveer 4. Mr. Mohammad Hamza Yousaf
Non Executive Directors	1. Khawaja Mohammad Jahangir 2. Khawaja Mohammad Kaleem 3. Khawaja Mohammad Nadeem
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. All the directors of the company (except Mr. Mohammad Hamza Yousaf) 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. Mr. Mohammad Hamza Yousaf, Director of the Company has completed directors' training program through Institute of Chartered Accountants of Pakistan..
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. No new appointment of CFO, company Secretary or Head of Internal Audit has been made during the year..
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. the staff is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures 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. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
26. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore :
November 05, 2017


Mr. Mohammad Naveed
Chief Executive



NASIR JAVAID MAQSOOD IMRAN
Chartered Accountants

Islamabad Office:
Office # 12 & 13 3rd Floor
Fazal Arcade,
F-11 Markaz, Islamabad.
Tel: 051-2228138
Fax: 051-2228139
E-mail:
njmiconsultants@gmail.com

**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 2017, to comply with the requirements of the Rule 5.19 of the Rule Book 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

Karachi Office:

904, 9th Floor, Q.M. House, Plot No. 11/2, Ellander Road, Opp. Shaheen Complex, Off. I.I Chundrigar Road, Karachi Pakistan
Tel: 021-32212382, 32212383, 32211516, Fax: 021-32211515

Lahore Office:

Office # 1102, Al-Hafeez Heights, 66-D/1, Ghalib Road, Gulberg-III, Lahore
Tel: 042-35754821-22, Fax: 042-36317513, E-mail: nasirg@wol.net.pk




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 2017.

Islamabad

Dated : Nov 5 2017


Nasir Javaid Maqsood Imran
Chartered Accountants

Imran-UI-Haq, FCA



NASIR JAVAID MAQSOOD IMRAN

Chartered Accountants

Islamabad Office:
Office # 12 & 13 3rd Floor
Fazal Arcade,
F-11 Markaz, Islamabad.
Tel: 051-2228138
Fax: 051-2228139
E-mail:
njmiconsultants@gmail.com

Auditor's Report to the Members

We have audited the annexed balance sheet of **Kohinoor Spinning Mills Limited** ("the Company") as at 30 June 2017 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;

Karachi Office:

904, 9th Floor, Q.M. House, Plot No. 11/2, Ellander Road, Opp. Shaheen Complex, Off. I.I Chundrigar Road, Karachi Pakistan
Tel: 021-32212382, 32212383, 32211516, Fax: 021-32211515

Lahore Office:

Office # 1102, Al-Hafeez Heights, 66-D/1, Ghalib Road, Gulberg-III, Lahore
Tel: 042-35754821-22, Fax: 042-36317513, E-mail: nasirg@wol.net.pk

- 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 2017 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).

Emphasis of Matter

We draw attention to the **Note 1.2** to the financial statements and to the fact that the company's total liabilities exceeds total assets by Rupees 293,099,559/- as at 30 June 2017 due to recurring losses and company may not be able to continue as going concern, however management does not intends to liquidate this company in near future therefore these financial statements have been prepared on going concern assumption.

Place: Islamabad

Date: November 05, 2017


Nasir Javaid Maqsood Imran

Chartered Accountants



Imran Ul Haq, FCA

KOHINOOR SPINNING MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital:			
300,000,000 (2016 - 300,000,000) ordinary shares of Rupees 5/- each (2016 Rupees 5/- each)		<u>1,500,000,000</u>	<u>1,500,000,000</u>
Issued, subscribed and paid up capital:			
130,000,000 (2016 - 130,000,000) ordinary shares of Rupees 5/- each (2016 Rupees 5/- each)	3	650,000,000	650,000,000
Reserves	4	(943,099,559)	(260,250,218)
		<u>(293,099,559)</u>	<u>389,749,782</u>
NON-CURRENT LIABILITIES			
Loan from directors	5	1,000,526,516	700,000,000
Long term loans	6	164,705,880	258,823,528
Liabilities against assets subject to finance lease	7	-	1,322,908
Supplier's credit	8	-	25,761,117
Deferred liabilities	9	119,911,749	107,820,874
		<u>1,285,144,145</u>	<u>1,093,728,427</u>
CURRENT LIABILITIES			
Trade and other payables	10	299,907,870	290,226,366
Accrued Interest on loans and borrowings	11	149,300,085	43,777,952
Short-term borrowings	12	1,406,765,835	1,436,048,839
Current portion of non current liabilities	13	313,897,984	197,594,019
Provision for taxation	32	21,278,983	17,740,275
		<u>2,191,150,757</u>	<u>1,985,387,452</u>
CONTINGENCIES AND COMMITMENTS			
	14	-	-
		<u>3,183,195,343</u>	<u>3,468,865,660</u>

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


CHIEF EXECUTIVE


DIRECTOR

KOHINOOR SPINNING MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	1,913,004,745	2,027,131,797
Long term Loans	16	-	21,033,597
Long term deposits	17	10,561,342	10,561,342
Long term investments	18	415,800	415,800
		1,923,981,887	2,059,142,536
CURRENT ASSETS			
Stores and spares	19	156,828,764	99,900,905
Stock-in-trade	20	853,765,055	953,484,657
Trade debts	21	160,346,319	276,652,482
Loans and advances	22	67,462,832	41,718,559
Trade deposits, pre-payments and other receivables	23	18,434,115	26,553,720
Cash and bank balances	24	2,376,370	11,412,802
		1,259,213,456	1,409,723,125
		3,183,195,343	3,468,865,660

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


CHIEF EXECUTIVE


DIRECTOR

KOHINOOR SPINNING MILLS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2017

	Notes	2017 (Rupees)	2016 (Rupees)
Sales - net	25	2,063,046,395	4,139,297,510
Cost of sales	26	(2,443,291,247)	(4,158,348,086)
GROSS (LOSS)		(380,244,852)	(19,050,576)
OPERATING EXPENSES:			
Distribution cost	27	(9,685,690)	(93,086,978)
Administrative	28	(85,474,440)	(111,432,541)
		(95,160,130)	(204,519,519)
OPERATING (LOSS)		(475,404,982)	(223,570,094)
Finance cost	29	(160,431,624)	(207,809,500)
Other operating expenses	30	(875,000)	(875,000)
Other operating income	31	4,193,524	7,622,892
		(157,113,100)	(201,061,608)
(LOSS) BEFORE TAXATION		(632,518,082)	(424,631,703)
Taxation			
Current	32	(9,167,851)	(41,392,975)
Deferred	9.2	(40,303,436)	-
		(49,471,286)	(41,392,975)
(LOSS) AFTER TAXATION		(681,989,368)	(466,024,678)
ACCUMULATED (LOSS) PROFIT BROUGHT FORWARD		(238,386,839)	227,637,839
ACCUMULATED (LOSS) CARRIED FORWARD		(920,376,207)	(238,386,839)
(LOSS) PER SHARE - BASIC & DILUTED	33	(5.25)	(3.58)

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


CHIEF EXECUTIVE


DIRECTOR

KOHINOOR SPINNING MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017 (Rupees)	2016 (Rupees)
(Loss) after taxation	(681,989,368)	(466,024,678)
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)
Experience adjustment due to actuarial valuation (Note 9.1.2)	(859,973)	13,585,946
Total comprehensive (Loss) for the year	<u><u>(682,849,341)</u></u>	<u><u>(452,555,155)</u></u>

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


CHIEF EXECUTIVE


DIRECTOR

KOHINOOR SPINNING MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Share Capital	Revenue Reserves		Total
		Accumulated Profit	Fair Value Reserve	
		Rupees		
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	(259,666,918)	(584,200)	389,749,782
(Loss) after taxation for the year	-	(681,989,368)	-	(681,989,368)
Experienced adjustment due to actuarial valuation	-	(859,973)	-	(859,973)
Unrealized (loss) due to change in fair value of long term investment	-	-	-	-
Balance as on June 30, 2017	650,000,000	(942,515,359)	(584,200)	(293,099,559)

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


CHIEF EXECUTIVE


DIRECTOR

KOHINOOR SPINNING MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
CASH GENERATED FROM OPERATIONS			
Cash generated from operations	34	(197,058,422)	526,204,437
Finance cost paid		(54,909,494)	(207,307,850)
Income tax paid		(5,629,144)	(36,761,985)
Gratuity paid		(49,830,599)	(24,792,430)
Net cash generated from operating activities		(307,427,658)	257,342,171
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant & equipments		-	(63,744,339)
Long term advances		21,033,597	(367,898)
Proceeds from disposal of property, plant and equipment		14,405,000	9,702,514
Net cash (used in) investing activities		35,438,597	(54,409,723)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing		-	(35,294,118)
Finance lease liabilities		(8,290,882)	(25,536,404)
Short term borrowings		(29,283,004)	(141,305,614)
Dividend paid		-	(107,850)
Increase in directors loan		300,526,516	-
Net cash generated from financing activities		262,952,630	(202,243,986)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(9,036,431)	688,462
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		11,412,802	10,724,341
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24	2,376,370	11,412,802

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


CHIEF EXECUTIVE


DIRECTOR

**KOHINOOR SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 Karachi 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.
- 1.2** The company has been incurring losses since financial year 2015 with total negative equity of Rupees (293,099,559)/- representing excess of total liabilities over total assets as at 30 June 2017. This situation casts doubtfulness over the going concern of the company. However these financial statements have been prepared on going concern assumptions owing to continued financial support assurance from the directors in the shape of equity contribution and loans as and when required together with negotiation and favorable terms of engagement with financial institutions, changes in top management to bring more efficiency in operations.

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 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS


2.4.1 Standards that became effective and adopted:

There were standard and amendments to the approved accounting standards which became effective during the year ended June 30, 2017 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.4.2 Amendments to approved accounting standards that are effective for the Company's accounting periods beginning after July 1, 2017:

There are certain new standards and amendments to the approved accounting standards which will be effective for the Company for annual periods beginning on or after July 1, 2017 but are considered not to be relevant or are expected to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

In addition to this, changes have been made in respect of the disclosure and presentation of the financial statements through promulgation of Companies Act, 2017 (the Act) with effect from the May 30, 2017. However, the applicability of the Act in relation to the preparation of the financial statements has been deferred by the Securities and Exchange Commission of Pakistan through its Circular 17 dated July 20, 2017 for companies having financial closure on or before June 30, 2017.



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 recognized 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.

Actuarial gains/(losses) in excess of 10 percent of the present value of defined benefit obligation are recognized over the expected average future working lives of the

employees participating in the scheme. 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 adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

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 de recognition 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 de recognition 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	2017 (Rupees)	2016 (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
		<u>650,000,000</u>	<u>650,000,000</u>

4 RESERVES

Accumulated (loss)	(920,376,207)	(238,386,839)
Cash dividend	(12,612,848)	(12,612,848)
Unrealized (loss) on long term investments	(584,200)	(584,200)
Unrealized amount charged to retained earning due to valuation	(1,428,229)	(1,428,229)
Actuarial re-measurement-experience adjustments	(8,098,075)	(7,238,102)
	<u>(943,099,559)</u>	<u>(260,250,218)</u>

5 LOAN FROM DIRECTORS

Sub-ordinate loan	5.1 & 5.2	397,000,000	397,000,000
Free loan	5.1 & 5.3	603,526,516	303,000,000
		<u>1,000,526,516</u>	<u>700,000,000</u>

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	2017 (Rupees)	2016 (Rupees)
6 LONG TERM LOANS			
Banking Companies - Secured			
Demand finance	6.1	364,705,882	364,705,882
Less:			
Overdue installment		(105,882,354)	11,764,706
Current portion		(94,117,648)	94,117,648
	13	(200,000,002)	105,882,354
		<u>164,705,880</u>	<u>258,823,528</u>

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

	2017		2016	
	Minimum lease Payments	Present value	Minimum lease Payments	Present value
	-----Rupees-----			
Within one year	9,124,902	7,460,340	15,534,701	14,428,314
After one year but not more than five year	-	-	1,392,818	1,322,908
total minimum lease payments	9,124,902	7,460,340	16,927,519	15,751,222
Amount representing finance charges	(1,664,562)	-	(1,176,297)	-
Present value of minimum lease payments	7,460,340	7,460,340	15,751,222	15,751,222
Less: Current portion	(7,460,340)	(7,460,340)	(14,428,314)	(14,428,314)
	-	-	1,322,908	1,322,908

7.1 The total lease rentals due under the lease agreements aggregating Rs. 9,124,902 (2016: Rs. 16,927,519) 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 (2016: 11.00 to 11.31) 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 (2016:44.918 Million). The company intends to exercise the option of purchasing the lease assets at residual value upon completion of lease term.

	Note	2017 (Rupees)	2016 (Rupees)
8 SUPPLIER'S CREDIT-UNSECURED			
Loan from machinery supplier	8.1	106,437,644	103,044,468
Less : Current portion			
Overdue Installment		(79,828,233)	(51,522,234)
Current installment	13	(26,609,411)	(25,761,117)
		<u>-</u>	<u>25,761,117</u>

8.1 This loan is unsecured and interest free. This loan is repayable in 6 equal half year installements of Rs.25.183 million (Euro 221,486.69) each commencing from August 2014 and ending on August, 2017 with 15% payment at the time of presentation of shipping documents of machinery.

	Note	2017 (Rupees)	2016 (Rupees)
9 DEFERRED LIABILITIES			
Gratuity	9.1	79,608,313	107,820,874
Deferred tax	9.2	40,303,436	-
		<u>119,911,749</u>	<u>107,820,874</u>

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, 2017.

9.1 Staff Gratuity-Defined Benefit Plan

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

	2017 (Rupees)	2016 (Rupees)
9.1.1 Reconciliation of amount recognized in the balance sheet		
Current service cost	14,747,411	18,273,140
Interest cost	6,010,654	10,023,142
	<u>20,758,065</u>	<u>28,296,282</u>
9.1.2 Movement in liability recognized in the balance sheet		
At the beginning of the year	107,820,874	117,902,969
Amount recognized during year - as shown above	20,758,065	28,296,282
Experience adjustment	859,973	(13,585,946)
Benefit payments	(49,830,599)	(24,792,431)
	<u>79,608,313</u>	<u>107,820,874</u>

	Note	2017 (Rupees)	2016 (Rupees)
9.1.3 Allocation of charge for the year			
Cost of sales	26	17,635,481	20,255,848
Administrative expenses	28	3,122,584	8,040,434
		<u>20,758,065</u>	<u>28,296,282</u>

9.1.4 The principal actuarial assumptions used were as follows

Discount rate	7.75%	7.25%
Expected rate of increase in salary	6.75%	6.25%
Average expected remaining working life of employees	9 years	8 years
Average duration of liability	9 years	8 years

9.1.5 Sensitivity analysis as at 30.06.2017

	Discount Rate + 1%	Discount Rate - 1%	Salary Increase + 1%	Salary Increase - 1%
PVDBO	72,444,570	88,118,399	88,118,399	72,320,291

9.2 Deferred tax

	Note	2017 (Rupees)	2016 (Rupees)
on temporary differences arising on:			
Property, plant and equipment		369,776,403	-
Gratuity		(23,882,494)	-
Leased assets		27,188,585	-
Tax losses and credits		(332,779,059)	-
		<u>40,303,436</u>	<u>-</u>

10 TRADE AND OTHER PAYABLES

Secured:

Creditors	10.1	29,552,718	33,656,739
-----------	------	------------	------------

Un-secured:

Creditors	10.2	40,040,183	35,237,149
Accrued expenses		161,095,444	144,089,815
Un-claimed dividend		1,915,117	1,915,117
Workers' profit participation fund	10.3	67,304,408	61,185,824
Advances from customers		-	14,141,722
		<u>299,907,870</u>	<u>290,226,366</u>

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

10.2 These include Rs.4,161,315.40 payable to Chakwal Textile Mills Limited-an associated undertaking.

10.3 Workers' profit participation fund

Opening balance		61,185,824	55,623,476
For the year		-	-
Paid for the year		-	-
Interest recognized during the year	10.2.1	6,118,584	5,562,348
		<u>6,118,584</u>	<u>5,562,348</u>
		<u>67,304,408</u>	<u>61,185,824</u>

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

11 ACCRUED INTEREST ON LOANS AND BORROWINGS	Note	2017 (Rupees)	2016 (Rupees)
Accrued interest / mark up on:			
Long term loans (Secured)		35,614,395	9,939,480
Short term finances (Secured)		113,685,690	33,838,472
		<u>149,300,085</u>	<u>43,777,952</u>

12 SHORT-TERM BORROWINGS**Banking companies - Secured**

Running finance	12.1	140,795,598	141,946,095
Others	12.1	980,977,562	1,014,482,609
Export finance	12.1	284,364,481	279,282,324
		<u>1,406,137,641</u>	<u>1,435,711,028</u>

Related parties - Unsecured

Loan from directors	12.2	628,195	337,811
		<u>1,406,765,835</u>	<u>1,436,048,839</u>

12.1

NATURE OF FACILITY	2017		2016		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 9/30/2016 to 12/31/2016	PP charge on Current Assets of the company and Personnel 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. Personnel Guarantee of the Sponsoring Directors of the Company.
Export Finance	285,000,000	3 Months KIBOR plus 2.00 % to 3.50%	285,000,000	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	2017 (Rupees)	2016 (Rupees)
13 CURRENT PORTION OF NON CURRENT LIABILITIES			
Long term loans	6	200,000,000	105,882,354
Liabilities against assets subject to finance lease	7	7,460,340	14,428,314
Supplier's credit	8	106,437,644	77,283,351
		<u>313,897,984</u>	<u>197,594,019</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 (2016: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 favour of the company.
- 14.1.2** Guarantee of Rs.32.725 million (2016: Rs.30.725 million) is given by bank of the company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connection.
- 14.1.3** Orix Leasing Pakistan Ltd has demanded Rs. 1,664,562/- as additional Rental due to non timely payments as per schedule vide its letter dated 28th July 2017.However company is hopeful that it will successfully negotiate this penalty in their favor and do not expect any liability in this respect.

	Note	2017 (Rupees)	2016 (Rupees)
15 PROPERTY, PLANT AND EQUIPMENT			
Fixed assets:			
Owned assets	15.1	1,874,653,782	1,982,213,930
Leased assets	15.2	38,350,963	44,917,867
		<u>1,913,004,745</u>	<u>2,027,131,797</u>

16 LONG-TERM LOANS

Loans to Executives - Considered good	16.1	-	21,561,597
Less: Current portion	22	-	(528,000)
		<u>-</u>	<u>21,033,597</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>-</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>

	Note	2017 (Rupees)	2016 (Rupees)
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>415,800</u>

19 STORES AND SPARES

Stores	54,124,168	30,874,990
Spares	<u>102,704,596</u>	<u>69,025,915</u>
	<u>156,828,764</u>	<u>99,900,905</u>

20 STOCK-IN-TRADE

Raw material	651,795,730	636,838,628
Work-in-process	133,500,374	115,616,723
Finished goods	67,373,887	197,853,665
Waste	<u>1,095,064</u>	<u>3,175,641</u>
	<u>853,765,055</u>	<u>953,484,657</u>

	Note	2017 (Rupees)	2016 (Rupees)
21 TRADE DEBTS - CONSIDERED GOOD			
Foreign - Secured		-	7,955,218
Local - Un-secured	21.1	<u>160,346,319</u>	<u>268,697,264</u>
		<u>160,346,319</u>	<u>276,652,482</u>

21.1 This includes balances receivables from the following associated undertakings: -

Chakwal Spinning Mills Limited	1,961,975	1,962,975
Yousaf Weaving Mills Limited	<u>22,090,432</u>	<u>22,626,535</u>
	<u>24,052,407</u>	<u>24,589,510</u>

22 LOANS AND ADVANCES

Advances - considered good

Suppliers	36,765,489	10,347,991
Executive	2,567,875	528,000
Non- executive	<u>28,129,468</u>	<u>30,842,568</u>
	<u>67,462,832</u>	<u>41,718,559</u>

	Note	2017 (Rupees)	2016 (Rupees)
23 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES			
Deposits - Margin with banks		5,272,391	8,964,991
Pre-payments - insurance		2,216,650	1,457,492
Sales tax receivable		10,945,074	16,131,237
		<u>18,434,115</u>	<u>26,553,720</u>

24 CASH AND BANK BALANCES

Cash in hand		706,286	1,848,868
Cash at bank:			
In current accounts		1,550,844	9,305,574
In saving accounts	24.1	119,240	258,360
		<u>2,376,370</u>	<u>11,412,802</u>

24.1 Saving account carries interest @ 4% p.a (2016: 4% p.a)

25 SALES**Local**

Yarn	1,991,308,135	2,974,277,884
Waste	63,602,612	136,750,753
Conversion	-	10,631,089
Local Sale Return	(1,663,761)	(11,388,408)
	<u>2,053,246,986</u>	<u>3,110,271,318</u>
Export of Yarn	9,799,409	1,140,462,015

Sales Tax

Yarn	-	107,442,912
Waste	-	3,983,032
Conversion	-	341,580
Local Sale Return	-	(331,701)
	-	(111,435,823)
	<u>2,063,046,395</u>	<u>4,139,297,510</u>

	Note	2017 (Rupees)	2016 (Rupees)
26 COST OF SALES			
Raw material consumed	26.1	1,361,212,337	2,775,329,624
Salaries, wages and benefits	26.2	351,747,580	451,928,171
Fuel and power		375,056,539	460,670,016
Insurance		21,724,726	23,422,500
Packing material		48,032,003	112,856,696
Repairs and maintenance		3,930,835	8,311,630
Stores and spares consumed		52,161,679	73,832,328
Vehicle running and maintenance		3,053,017	5,467,048
Communication		596,613	1,166,047
Travelling and Conveyance		796,478	1,852,969
Doubling charges		-	345,000
Miscellaneous		8,423,898	29,457,018
Depreciation	15.3	101,878,839	105,607,546
		2,328,614,543	4,050,246,593
Work-in-process			
Opening		115,616,723	138,645,953
Closing		(133,500,374)	(115,616,723)
Cost of goods manufactured		2,310,730,892	4,073,275,823
Finished goods and waste			
Opening stock		201,029,306	286,101,569
Closing stock		(68,468,951)	(201,029,306)
		2,443,291,247	4,158,348,086

26.1 RAW MATERIAL CONSUMED

Opening stock	636,838,628	920,609,685
Purchases	1,376,169,439	2,524,562,462
	2,013,008,067	3,445,172,147
Cost of raw material sold	-	(33,215,051)
	2,013,008,067	3,411,957,096
Closing stock	(651,795,730)	(636,627,472)
	1,361,212,337	2,775,329,624

26.2 It includes Rs.17,635,481 (2016 : Rs.20,255,848) in respect of gratuity.

27 DISTRIBUTION COST

Commission to selling agents	1,402,478	35,347,562
Ocean freight	70,850	11,520,123
Local Freight	1,920,165	27,551,470
Clearing & forwarding	28,962	3,709,477
Export development surcharge	123,827	2,828,420
Others	6,139,408	12,129,926
	9,685,690	93,086,978

	Note	2017 (Rupees)	2016 (Rupees)
28 ADMINISTRATIVE			
Salaries, wages and benefits	28.1	51,488,793	65,532,833
Travelling and conveyance		2,067,768	1,496,624
Rent, rates and taxes		2,684,972	3,220,948
Printing and stationery		522,291	781,636
Communications		2,057,311	3,693,168
Entertainment		831,311	1,768,590
Electricity and gas		4,643,336	6,007,195
Vehicles running		4,464,888	4,776,355
Fee and subscription		917,484	4,971,830
Legal and Professional		950,990	510,035
Repairs and maintenance		2,220,938	5,214,641
Donations	28.2	193,600	1,806,900
Miscellaneous		7,000,843	4,791,883
Depreciation	15.3	5,429,915	6,859,903
		<u>85,474,440</u>	<u>111,432,541</u>

28.1 It includes Rs.3,122,584 (2016 : Rs.8,040,434) in respect of gratuity.

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

29 FINANCE COST

Interest / mark-up on:

Long term loans	25,674,915	35,885,395
Finance leases	655,299	4,188,237
Short-term borrowings	123,965,685	135,445,787
Workers profit participation fund	6,118,584	5,562,348
Inland Letter's of Credit	346,855	3,084,312
Bank charges and commissions	3,670,286	23,643,421
	<u>160,431,624</u>	<u>207,809,500</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:

Dividend Income	-	16,008
Exchange gain	(3,393,176)	633,269

Income from non financial assets:

Gain on sale of fixed assets	7,586,700	-
Profit on sale of raw material	-	6,973,615
	<u>4,193,524</u>	<u>7,622,892</u>

	Note	2017 (Rupees)	2016 (Rupees)
31.1 Profit on sale of raw material			
Gross sales		-	33,215,051
Less: Cost of sales		-	(40,188,666)
		<u>-</u>	<u>(6,973,615)</u>

32 PROVISION FOR TAXATION

Opening balance		17,740,276	13,109,286
For the year	32.1	20,630,464	41,392,975
Prior year		(11,462,613)	-
		9,167,851	41,392,975
Less: Paid / adjusted		(5,629,144)	(36,761,985)
		<u>21,278,983</u>	<u>17,740,276</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 2016 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.

33 (LOSS) PER SHARE - Basic

(Loss) after taxation	(681,989,368)	(466,024,678)
Weighted average number of ordinary shares	130,000,000	130,000,000
(Loss) per share - Basic	(5.25)	(3.58)

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	(632,518,082)	(424,631,703)
Adjustments of non cash charges and other items		
Depreciation / amortization	107,308,754	112,467,449
Gratuity	20,758,065	28,296,282
Gain on sale of fixed assets	(7,586,700)	-
Finance cost	160,431,624	207,809,500
Exchange gain	3,393,176	(633,269)
Operating profit before working capital changes	<u>(348,213,163)</u>	<u>(76,691,741)</u>
(Increase)/decrease in current assets		
Stores and spares	(56,927,859)	(7,453,620)
Stock-in-trade	99,719,602	391,872,550
Trade debts	116,306,163	115,823,994
Loan and advances	(25,744,273)	26,144,611
Trade deposits, prepayments & other receivables	8,119,605	17,808,849
	141,473,237	544,196,384
(Decrease)/Increase in current liabilities		
Trade and other payables	9,681,504	58,699,794
	<u>(197,058,422)</u>	<u>526,204,437</u>

Signature

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

	2017 (Rupees)			2016 (Rupees)		
	CHIEF EXECUTIVE	EXECUTIVE DIRECTORS	EXECUTIVES	CHIEF EXECUTIVE	EXECUTIVE DIRECTORS	EXECUTIVES
Remuneration	4,000,000	9,180,000	5,622,181	4,000,000	9,180,000	10,356,600
House rent	1,800,000	4,131,000	2,248,873	1,800,000	4,131,000	4,660,476
Medical	76,249	3,128,312	-	919,192	2,264,309	434,679
Gratuity	-	-	487,606	-	-	1,252,075
Utilities	200,000	459,000	562,218	200,000	459,000	517,830
	6,076,249	16,898,312	8,920,878	6,919,192	16,034,309	17,221,660
Number of persons	1	3	6	1	3	9

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

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:-

Purchases of raw materials and goods

(Yousaf Weaving Mills Limited)	9,145,268	20,036
(Chakwal Textile Mills Limited)	59,625,317	14,049,406
	68,770,585	14,069,442

Sales of raw materials and goods

(Yousaf Weaving Mills Limited)	5,769,600	-
(Chakwal Textile Mills Limited)	-	97,204
(Chakwal Spinning Mills Limited)	-	741,400
	5,769,600	838,604

Cash received/(paid)

(Yousaf Weaving Mills Limited)	(2,839,565)	-
(Chakwal Textile Mills Limited)	(55,464,002)	-
	(58,303,567)	-

Aggregate maximum balance due at the end of any month during the year.

28,952,407

27,882,963

	Note	2017 (Rupees)	2016 (Rupees)
Short Term Loan from Directors			
Loan from directors		628,195	337,811

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:

	2017 Rupees in thousand	2016 Rupees in thousand
Trade debts-USD	-	7,955
Supplier's credit-EURO	106,437	103,044

The following significant exchange rates were applied during the year.

Average rate (Rupees per US Dollar)	104.09	103.37
Reporting date rate (Rupees per US Dollar)	106.70	104.70
Average rate (Rupees per Euro)	120.04	117.01
Reporting date rate (Rupees per Euro)	120.04	116.31

Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However the company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2017 financial assets include Rs. Nil million (2016: Rs.7.955 million) and financial liabilities include Rs. 106.437 million (2016: Rs. 103.044 million) which are subject to foreign currency risk against US Dollars and Euro respectively.

Foreign Currency Sensitivity Analysis

At June 30, 2017 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. 5.152 million (2016: Rs.5.550 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 marker 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 modaeaba certificates amount to Rs.415,800 (2016: Rs.415,800).

Sensitivity analysis

At June 30, 2017 if the price had decreased/increased by 5% against with all other variable held constant, profit for the year would have been lower/higher by Rs. 31,081 (2016: Rs.21,232) 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:

	2017 (Rupees)	2016 (Rupees)
Floating rate instruments		
Financial Liabilities:		
Long term financing	364,705,880	364,705,882
Liabilities against assets subject to finance lease	7,460,340	15,751,222
Short term borrowings	1,406,765,836	1,436,048,839
Financial Assets:		
Bank balance - Saving account	119,240	258,360

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. 14.068 million (2016: Rs. 13.678 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:-

	2017 (Rupees)	2016 (Rupees)
Long term loans	867,000	21,033,597
Long term deposits	10,561,342	10,561,342
Trade debts	160,346,319	276,652,482
Loans and advances	66,595,832	41,718,559
Sales tax receivable	10,945,074	16,131,237
Bank balance	1,670,085	9,563,934

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

Name of Bank	Rating Agency	Credit	Rating	2017	2016
		Short-term	Long-term	Rupees	
Askaribank Limited	PACRA	A1+	AA	31,805	23,654
MCB Bank Limited	PACRA	A1+	AAA	188,109	4,096,180
National Bank of Pakistan	PACRA	A-1+	AAA	101,159	2,661,029
Habibmetro Bank Limited	PACRA	A1+	AA+	972,827	958,663
Meezan Bank Limited	JCR-VIS	A-1+	AA	129,058	1,197,036
Allied Bank Limited	PACRA	A1+	AA+	139,237	278,357
Habib Bank Limited	PACRA	A1+	AAA	40,834	30,629
Bank Al Falah Limited	PACRA	A1+	AA	23,313	295,774
Standard Chartered Bank	PACRA	A1+	AAA	22,612	22,612
J S Bank Limited	PACRA	A1+	AAA	21,130	-
				1,670,085	9,563,934

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:

	2017		2016	
	Gross	Impariment	Gross	Impariment
	Rupees			
Trade Debtors	160,346,319	-	276,652,482	-
	160,346,319	-	276,652,482	-

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. 1,577 million worth short term borrowing limits available from financial institutions and Rs. 2.37 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, 2017:					
	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	Rupees	Rupees	Rupees	Rupees	Rupees
Gratuity	79,608,313		31,843,325	47,764,988	
Supplier's credit	106,437,644	106,437,644	79,828,233	26,609,411	-
Long-term finances	364,705,882	397,201,176	200,000,002	197,201,174	-
Liabilities against leased assets	7,460,340	9,124,902	9,124,902	-	-
Trade and other payables	299,907,868	299,907,868	299,907,868	-	-
Accrued interest	149,300,085	149,300,085	149,300,085	-	-
Short term finances	1,406,765,836	1,530,365,335	1,530,365,335	-	-
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	Rupees	Rupees	Rupees	Rupees
Gratuity	107,820,874		43,128,350	64,692,524	
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	-	-

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 Amortized Cost		At Fair value through profit and loss		Available for sale	
			2017	2016	2017	2016	2017	2016
Rupees								
Long term deposits			10,561,342	10,561,342				
Long term investments							415,800	415,800
Trade debts			160,346,319	276,652,482				
Loans and advances			67,462,832	62,752,156				
Trade deposits , prepayments and other receivables			18,434,115	26,553,720				
cash and bank balances			2,376,370	11,412,802				
			259,180,979	387,932,502	-	-	415,800	415,800
Financial liabilities as per balance sheet								
			At Amortized Cost		At Fair value through profit and loss		Available for sale	
			2017	2016	2017	2016	2017	2016
Long term finance			364,705,880	364,705,882				
Suppliers credit			106,437,644	103,044,468				
Lease liability			7,460,340	15,751,222				
Trade and other payable			299,907,870	290,226,366				
Accrued intrest on loans and borrowings			149,300,085	43,777,952				
short term borrowings			1,406,765,835	1,436,048,839				
			2,334,577,654	2,253,554,729	-	-	-	-

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.

	2017 (Rupees)	2016 (Rupees)
Total borrowings	2,771,998,234	2,500,754,721
Less: Cash and bank balances	2,376,370	11,412,802
Net debt	2,769,621,864	2,489,341,919
Total equity	(293,099,559)	389,760,568
Total capital employed	2,476,522,305	2,879,102,487
Gearing ratio	1.12	0.86

38 RECOGNIZED FAIR VALUE MEASUREMENT - FINANCIAL ASSETS**(i) Fair value hierarchy**

Judgments and estimates are made for 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 financial assets into the following three levels.

As at June 30, 2017	Level 1	Level 2	Level 3	Total
.....Rupees.....				
Long term investment				
Modaraba Certificates	415,800			415,800
Total	415,800	-	-	415,800
As at June 30, 2016	Level 1	Level 2	Level 3	Total
.....Rupees.....				
Long term investment				
Modaraba Certificates	415,800			415,800
Total	415,800	-	-	415,800

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	2017		2016	
		CARRIED UNDER		CARRIED UNDER	
		Non-Shariah	Shariah	Non-Shariah	Shariah
		Arrangements	Arrangements	Arrangements	Arrangements
Rupees					
LIABILITIES					
Loan From Directors	5				
Sub-ordinated loan		-	397,000,000	-	397,000,000
Free loan		-	603,526,516	-	303,000,000
Long Term Loans	6				
Demand finance		164,705,880	-	258,823,528	-
Finance Lease	7				
Liabilities Against Finance Lease		-	-	-	1,322,908
Supplier's credit	8				
Loan from machinery supplier		-	-	-	25,761,117
Trade And Other Payables	10				
Advances from customers		-	-	-	14,141,722
Short-Term Borrowings	12				
Banking Companies					
Running finance		140,795,598	-	141,946,095	-
Others		980,977,562	-	1,014,482,609	-
Export finance		284,364,481		279,282,324	
Related parties - unsecured					
Loan from directors		-	628,195	-	337,811

ASSETS					
NON CURRENT ASSETS					
Long term loans	16				
Loans to Executives - Considered good		-	867,000	-	21,033,597
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	-	415,800
CURRENT ASSETS					
Loans and advances	22				
Current portion of loans to executives		-	48,000	-	528,000
Suppliers		-	4,657,386	-	6,000,406
Services Providers		-	14,296,182	-	1,394,348
Others		-	17,811,921	-	2,953,237
Staff - interest free		-	29,782,343	-	30,842,568
Letters of credit		-	-	-	-
Trade Deposits, Short Term	23				
Prepayments And Other Receivables					
Deposits					
Margin with banks		-	8,964,991	-	8,964,991
Bank balances	24	119,240	1,550,844	258,360	9,305,574
INCOME					
OTHER OPERATING INCOME	31				
Financial Assets					
Interest Income		-	-	-	-
Dividend Income		-	-	-	16,008
Exchange gain from actual currency		-	-	-	633,269
Non-Financial Assets					
Gain on sale of fixed assets		-	-	-	-
Profit on sale of raw material		-	-	-	6,973,615

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				✓	

40 PLANT CAPACITY AND PRODUCTION

	2017 (Rupees)	2016 (Rupees)
Number of spindles installed	79,944	79,944
Installed capacity in 20's count based on triple shift for 365 (2016 - 365) days (kgs) - Approximately	35,984,727	35,984,727
Actual production after conversion into 20's count (kgs)	17,314,660	19,819,377

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

	2017	2016
Average during the year	1,773	2,163
As at 30 June	1,713	1,957

42 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on November 05, 2017 the Board of Directors of the Company.

43 SUBSEQUENT EVENTS

The securities and Exchange commission of pakistan (SECP) has accorded approval of issuance of further shares other than right issue (under Section 83 of the Companies Act 2017) vide letter No. CSD/CI/28/2005-619 dated October 10, 2017 on the basis of special resolution passed by the shareholders of the Company in the extra ordinary general meeting hold on May 05, 2017. In compliance with said letter, we have issued shares to the following directors on October 16, 2017.

	No of Shares
Mr Khawaja Muhammad Kaleem	42,285,714
Mr Khawaja Muhammad Nadeem	5,857,143
Mr Muhammad Naveed	37,571,428
	85,714,285

These shares have been issued @ Rs.7 (inclusive of Rs.2 premium) per share.

44 GENERAL

Figures have been rounded off to the nearest rupees.



CHIEF EXECUTIVE



DIRECTOR

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

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

30-06-2017

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
113	1	100	2,200
227	101	500	106,208
300	501	1,000	297,344
788	1,001	5,000	2,578,876
336	5,001	10,000	2,845,384
136	10,001	15,000	1,809,600
101	15,001	20,000	1,921,001
79	20,001	25,000	1,884,500
31	25,001	30,000	880,910
22	30,001	35,000	740,000
25	35,001	40,000	976,000
18	40,001	45,000	797,000
34	45,001	50,000	1,689,000
9	50,001	55,000	473,100
10	55,001	60,000	592,567
12	60,001	65,000	757,500
11	65,001	70,000	760,000
10	70,001	75,000	735,500
7	75,001	80,000	554,000
4	80,001	85,000	332,500
2	85,001	90,000	179,500
23	95,001	100,000	2,295,500
3	100,001	105,000	306,000
2	105,001	110,000	219,000
4	110,001	115,000	452,000
4	115,001	120,000	476,000
4	120,001	125,000	500,000
1	125,001	130,000	127,500
3	130,001	135,000	399,500
7	145,001	150,000	1,045,500
1	155,001	160,000	160,000
2	160,001	165,000	327,000
2	165,001	170,000	335,500
1	175,001	180,000	178,000
1	180,001	185,000	184,500
1	185,001	190,000	186,000
1	190,001	195,000	192,500
4	195,001	200,000	800,000
1	200,001	205,000	203,000
1	210,001	215,000	212,000
1	220,001	225,000	224,500
1	225,001	230,000	228,000
2	245,001	250,000	495,500
1	255,001	260,000	257,000

1	260,001	265,000	265,000
2	270,001	275,000	550,000
1	285,001	290,000	290,000
1	290,001	295,000	291,500
1	295,001	300,000	300,000
1	320,001	325,000	324,500
1	335,001	340,000	340,000
1	345,001	350,000	346,000
1	415,001	420,000	420,000
1	420,001	425,000	423,500
1	425,001	430,000	430,000
1	460,001	465,000	460,500
2	495,001	500,000	997,000
1	505,001	510,000	510,000
1	525,001	530,000	527,000
1	535,001	540,000	535,827
1	620,001	625,000	622,500
1	630,001	635,000	632,000
1	675,001	680,000	679,500
1	690,001	695,000	691,000
1	880,001	885,000	882,100
1	895,001	900,000	900,000
1	995,001	1,000,000	1,000,000
1	1,245,001	1,250,000	1,247,000
1	2,245,001	2,250,000	2,250,000
1	2,645,001	2,650,000	2,650,000
1	2,995,001	3,000,000	3,000,000
1	4,150,001	4,155,000	4,150,500
1	4,205,001	4,210,000	4,205,250
1	4,450,001	4,455,000	4,452,000
1	6,180,001	6,185,000	6,181,500
1	7,095,001	7,100,000	7,095,600
1	10,510,001	10,515,000	10,513,500
1	19,960,001	19,965,000	19,960,250
1	21,155,001	21,160,000	21,159,283
2383			130,000,000

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	65,436,954	50.3361
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.	4,163,225	3.2025

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	41,551,604	31.9628
5.8 General Public		
a. Local	51,123,995	39.3262
b. Foreign	0	-
5.9 Others (to be specified)		
1- Joint Stock Companies	7,543,900	5.8030
2- Investment Companies	1,000,000	0.7692
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

9. NIC Number

10 Date

30	06	2017
----	----	------

KOHINOOR SPINNING MILLS LIMITED
Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2017

Sr. No.	Name	No. of Shares 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 MOHAMMAD JAVAID	20,383,750	15.6798
2	KHAWAJA MOHAMMAD JAHANGIR PHINO	6,181,500	4.7550
3	KHAWAJA MOHAMMAD TANVEER	4,205,250	3.2348
4	KHAWAJA MOHAMMAD KALEEM	21,167,854	16.2830
5	KHAWAJA MOHAMMAD NADEEM	4,150,500	3.1927
6	MR. MOHAMMAD NAVEED	9,345,600	7.1889
7	MR. MOHAMMAD HAMZA YOUSAF	1,500	0.0012
8	MR. MOHAMAMD TARIQ SUFI	1,000	0.0008

Executives:

- -

Public Sector Companies & Corporations:

- -

Banks, Development Finance Institutions, Non Banking Finance

4,271,892 3.2861

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 MOHAMMAD KALEEM	21,167,854	16.2830
2	KHAWAJA MOHAMMAD NAVEED	9,345,600	7.1889
3	KHAWAJA MOHAMMAD JAVAID	20,383,750	15.6798
4	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. MOHAMMAD NAVEED	5,181,500	-
2	KHAWAJA MOHAMMAD KALEEM	7,500,000	-
3	KHAWAJA MOHAMMAD NADEEM	13,339,000	-

15.1 PROPERTY AND EQUIPMENT

COST / REVALUATION											Total
Land	Building	Plant and Machinery	Tube Wells	Electric Installation	Tools and Equipment	Telephone Installation	Office Equipment	Furniture and Fixture	Vehicles	CWIP	
(Rupees)											

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	1,994,965,555
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	61,993,088
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	896,677	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

Year ended June 30, 2017											
Opening 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
Additions	-	-	-	-	-	-	-	-	-	-	-
Disposal/Deficit	-	(17,861,927)	(77,116,607)	(21,102)	(3,651,417)	(26,217)	(12,051)	(936,114)	(234,936)	(5,429,909)	(19,254,925)
Depreciation charge	-	-	-	-	-	-	-	-	-	-	-
Adjustment for transfer	-	-	-	-	-	-	-	-	-	-	-
Adjustment for disposal	-	-	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-	-	-
Closing net book amount	11,675,239	339,376,619	1,465,215,531	189,915	32,411,211	235,948	108,462	8,425,065	2,114,428	14,901,275	1,874,653,782

At June 30, 2017											
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	64,668,558	3,721,936,915
Accumulated depreciation	-	264,222,504	1,456,010,855	1,355,662	51,736,327	4,005,195	908,728	11,232,104	8,044,564	49,767,283	1,847,283,223
Net book amount	11,675,239	339,376,619	1,465,215,531	189,915	32,411,211	235,948	108,462	8,425,065	2,114,428	14,901,275	1,874,653,782

Rate of depreciation in %	-	5	5	10	10	10	10	10	10	20	
---------------------------	---	---	---	----	----	----	----	----	----	----	--

15.1.1 DISPOSAL OF PROPERTY AND EQUIPMENT

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(Loss)	Mode of disposal	Party Name	Particulars
Honda City	1,450,870	998,956	451,914	1,100,000	648,086	Negotiation	Mr. Tanveer Ul Hasan	Ex-Employee, Lahore
Mehran-325-17	369,743	321,771	47,972	300,000	252,028	Negotiation	Mr. Tariq Mehmood	Lahore
LE-14-6601	1,512,000	576,576	935,424	1,100,000	164,576	Negotiation	Mr. Muhammad Tufail	Lahore
Audi 1.8 Q	5,605,000	3,108,309	2,496,691	4,043,000	1,546,309	Negotiation	Mr. Suleman Ehsan	Lahore
Honda City	1,425,000	954,813	470,187	1,100,000	629,813	Negotiation	Mr. Ghulam Haider	Ex-Employee, Lahore
LE-11-2648	585,675	430,278	155,397	425,000	269,603	Negotiation	Mr. Sheikh Maqbool	Ex-Employee, Lahore
LE-08-67	1,643,447	1,386,104	257,343	1,700,000	1,442,657	Negotiation	Mr. Sub E Noor	Lahore
LE-12-5834	1,715,055	1,069,938	645,117	1,262,000	616,883	Negotiation	Mr. Muhammad Wasif	Lahore
LED-10-4973	1,382,270	1,055,523	326,747	975,000	648,253	Negotiation	Mr. Muhammad Tayyab	Lahore
LEA-11-3354	2,029,730	1,522,775	506,955	1,200,000	693,045	Negotiation	Mr. Kamran Anwar	Ex-Employee, Islamabad
LEC-12-5439	1,536,135	1,011,582	524,553	1,200,000	675,447	Negotiation	Mr. Abdul Rehman	Ex-Employee, Pir Mahal
	19,254,925	12,436,625	6,818,300	14,405,000	7,586,700			

(Signature)

15.2 Leasehold property and equipment

		Total
Plant and Machinery	Vehicles	
R U P E E S		

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

Year ended June 30, 2017

Opening net book amount	40,369,435	4,548,432	44,917,867
Additions	-	-	-
Depreciation charge	(2,018,472)	(909,686)	(2,928,158)
Transferred to owned assets	-	(5,916,300)	(5,916,300)
Adjustment		2,277,554	2,277,554
Closing net book amount	38,350,963	-	38,350,963

At June 30, 2017

Cost	45,323,770	-	45,323,770
Accumulated depreciation	6,972,807	-	6,972,807
Net book amount	38,350,963	-	38,350,963

Rate of depreciation in %

5	20
---	----

15.3 Depreciation/amortization has been apportioned as under :-

		2017 (Rupees)	2016 (Rupees)
Cost of sales	26	101,878,839	105,607,546
Administrative expenses	28	5,429,915	6,859,903
		107,308,754	112,467,449