Al Nasr Textiles Limited

Audit of financial statements
for the year ended 30 June 2018

AL NASR TEXTILES LIMITED

Directors Report for the Year Ended 30th June, 2018

AL NASR

The Directors of **Al Nasr Textiles Limited** are pleased to present the Annual report along with Audited Financial Statements for the year ended 30th June, 2018.

FINANCIAL HIGHLIGHTS

Comparison of Audited result for the year ended June 30th, 2018 as against June 30th, 2017 is as follows:

	30.06.2018 (Rs.)	**30.06.2017** (Rs.)
Sales (Net)	3,901,321,067	2,995,806,674
Gross Profit	368,428,454	329,612,893
Profit before taxation	183,994,306	202,837,771
Taxation	(19,489,117)	(77,038,350)
Profit after taxation	164,505,189	125,799,421
Total Comprehensive Income for the year	165,303,278	126,759,803
Un-appropriated Profit/ (Loss) brought forward	1,041,289,764	914,529,961
Un-appropriated Profit carried forward	**1,206,593,042**	**1,041,289,764**
Earnings per Share	**4.81**	**3.71**

COMPANY PERFORMANCE

During the year, the gross profit margin increased by 12% as compared to F/Y 2018. This increase reflects the tireless efforts by the management during a slump in the textile industry. The cost efficiency gain in Unit-1 after the installation of new Ring Frames and good margins earned in Unit-2 are a major contributing factor in this turn around. Your company earned a profit after tax of Rs. 164,505,189 as compared to last year's profit after tax of Rs. 125,799,421 (F/Y 2017) which is a substantial 31% year on year increase.

AL NASR TEXTILES LIMITED

Directors Report for the Year Ended 30th June, 2018

AL NASR

BALANCING MODERNIZATION & REPLACEMENT (BMR)

Addition to Plant & Machinery was made during the year ended 30th June, 2018. These additions will ensure the production of high quality yarn in the future. The details of the machines acquired are as follows:

- RING FRAMES RX-300 x 11
- RIETER DRAW FRAMES SB-D22 x 2
- LAP FORMER E-36 x 1
- COMBERS E-86R x 4
- MURATA AUTOMATIC CONE WINDER Q-PRO x 1
- SIMPLEX MACHIERY - SIMPLEX FL-100 x 5
- USTER JOSSI VISION SHIELD-2 WITH V-TECT x 1
- USTER QUANTUM CLEARER UQC-3 x 1
- VACUM YARN CONDITIONING SYSTEM x 1
- DRAWING MACHIERY - DRAWING FINISHER DX-8LT x 1
- AUTOMATIC STRENGTH TESTER x 1
- EVENNESS TESTER x 1
- COUNT ANALYSER x 1
- AIR COMPRESSOR x 1

FUTURE PROSPECTS

Currently Cotton prices are extremely volatile, which is adding to the problems of the industry. Due to continuous increase in minimum wage announced by the Government the production cost of the company will increase in the next year. Availability of cheap electricity will be important to balance the increase in cost of production. Currently the yarn rates have depressed, which would adversely impact the financial results of the year 2018 / 2019.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on 30 June 2018, as required under Section 227 (2) (f) of the Companies Act 2017, is annexed.

AUDITORS

M/S KPMG Taseer Hadi & Co., Chartered Accountants, retires and being eligible, offers themselves for reappointment as Company's auditors for the year ending 30 June 2019.

AL NASR

AL NASR TEXTILES LIMITED

Directors Report for the Year Ended 30th June, 2018

ACKNOWLEDGEMENT

The directors acknowledge the efforts made by Company's employees at all levels during the year under review and expect continued endeavors for the achievement of improved results in the current year as well.

For and on behalf of the Board of Directors

Lahore	(JAVED NASRULLAH)	(TARIQ MEHMOOD)
9th October 2018	Director	Chief Executive

KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
Lahore 54000 Pakistan
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

INDEPENDENT AUDITOR'S REPORT

To the members of Al Nasr Textiles Limited

Report on the audit of the Financial Statements

We have audited the annexed financial statements of **Al Nasr Textiles Limited** ("the Company"), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the director's report for the year ended 30 June 2018, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

KPMG Taseer Hadi & Co.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is M. Rehan Chughtai.

Lahore

Date: 28 October 2018

KPMG Taseer Hadi & Co.
Chartered Accountants

Al Nasr Textiles Limited

Statement of Financial Position

As at 30 June 2018

EQUITY AND LIABILITIES	Note	2018 Rupees	2017 Rupees
Share capital and reserves			
Authorised share capital			
40,000,000 (2017: 40,000,000) ordinary shares of Rs. 10 each		**400,000,000**	400,000,000
Issued, subscribed and paid-up capital	5	**342,000,000**	342,000,000
Accumulated profit		**1,206,593,042**	1,041,289,764
		1,548,593,042	1,383,289,764
Non-current liabilities			
Long term financing - *secured*	6	**455,625,325**	135,001,930
Deferred liabilities	7	**232,190,516**	207,950,805
		687,815,841	342,952,735
Current liabilities			
Current portion of long term financing-*secured*	8	**109,782,164**	107,605,994
Short term borrowings - *secured*	9	**516,285,400**	380,651,184
Trade and other payables	10	**247,656,692**	155,596,646
Mark-up accrued on borrowings	11	**16,819,204**	10,621,122
		890,543,460	654,474,946
		3,126,952,343	2,380,717,445
Contingencies and commitments	12		

ASSETS	Note	2018 Rupees	2017 Rupees
Non-current assets			
Property, plant and equipment	13	**1,694,412,632**	1,268,791,081
Intangibles	14	**98,659**	493,283
Long term deposits	15	**6,488,194**	7,075,600
		1,700,999,485	1,276,359,964
Current assets			
Stores, spare parts and loose tools	16	**45,857,626**	44,500,552
Stock-in-trade	17	**784,094,842**	710,549,824
Trade debts	18	**109,855,587**	82,034,362
Advances, deposits and prepayments	19	**329,714,196**	185,620,969
Other receivables		**1,477,186**	4,392,082
Advance tax - *net*		**107,769,086**	54,972,586
Cash and bank balances	20	**47,184,335**	22,287,106
		1,425,952,858	1,104,357,481
		3,126,952,343	2,380,717,445

The annexed notes from 1 to 33 form an integral part of these financial statements.

Lahore

Chief Executive

Director

Al Nasr Textiles Limited

Profit and Loss Account

For the year ended 30 June 2018

		Note	2018 Rupees	2017 Rupees
Sales				
Local:	Cotton yarn		**3,407,825,241**	2,788,026,692
	Viscose yarn		**107,049,489**	34,050,931
	Waste sale		**231,749,029**	173,680,599
	Raw material		**134,522,656**	6,355,194
			3,881,146,415	3,002,113,416
Export:	Cotton yarn		**22,631,030**	-
Less:	Sales tax		**(2,456,378)**	(6,306,742)
Net sales			**3,901,321,067**	2,995,806,674
Cost of sales		21	**(3,532,892,613)**	(2,666,193,781)
Gross profit			**368,428,454**	329,612,893
Administrative expenses		22	**(34,683,195)**	(34,666,044)
Distribution cost		23	**(29,416,362)**	(22,176,639)
Other expenses		24	**(16,577,787)**	(15,379,208)
			(80,677,344)	(72,221,891)
Other income		25	**1,308,960**	6,316,104
Operating profit			**289,060,070**	263,707,106
Finance cost		26	**(105,065,764)**	(60,869,335)
Profit before taxation			**183,994,306**	202,837,771
Taxation		27	**(19,489,117)**	(77,038,350)
Profit after taxation			**164,505,189**	125,799,421

The annexed notes from 1 to 33 form an integral part of these financial statements.

Lahore **Chief Executive** **Director**

Al Nasr Textiles Limited
Statement of Comprehensive Income
For the year ended 30 June 2018

	2018 Rupees	2017 Rupees
Profit after taxation	**164,505,189**	125,799,421
Other comprehensive income		
Items that will never be reclassified to profit and loss account:		
- Remeasurement of defined benefit obligation	**1,124,069**	1,288,533
- Related deferred tax	**(325,980)**	(328,151)
	798,089	960,382
Total comprehensive income for the year	**165,303,278**	126,759,803

The annexed notes from 1 to 33 form an integral part of these financial statements.

Lahore **Chief Executive** **Director**

Al Nasr Textiles Limited

Cash Flow Statement

For the year ended 30 June 2018

	Note	2018 Rupees	2017 Rupees
Cash flows from operating activities			
Profit before taxation		**183,994,306**	202,837,771
Adjustments for non-cash items:			
Depreciation	13.2	**125,129,047**	96,242,564
Amortisation	14.2	**394,624**	394,624
Finance cost	26	**105,065,764**	59,757,867
Loss on disposal of property, plant and equipment	24	**5,270,719**	1,217,954
Provision for doubtful debts	18	**852,575**	1,853,458
Interest on Worker's Profit Participation Fund		**825,936**	-
Provision for Worker's Profit Participation Fund	24	**9,765,069**	11,059,209
Provision for Worker's Welfare Fund	24	**1,541,999**	4,468,359
Staff retirement benefits	7.1.2	**10,412,479**	10,127,138
		259,258,212	185,121,173
Operating profit before working capital changes		**443,252,518**	387,958,944
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets:			
Trade debts		**(28,673,800)**	(20,572,693)
Stores, spare parts and loose tools		**(1,357,074)**	2,344,606
Stock-in-trade		**(73,545,018)**	(71,572,551)
Advances deposits and prepayments		**(144,093,227)**	(24,403,313)
Other receivables		**2,914,896**	(9,123,633)
Increase / (decrease) in current liabilities:			
Trade and other payables		**96,132,186**	(1,894,591)
		(148,622,037)	(125,222,175)
Cash generated from operations		**294,630,481**	262,736,769
Finance cost paid		**(98,867,682)**	(64,328,782)
Staff retirement benefits paid		**(7,258,494)**	(10,426,242)
Payment made to Worker's Profit Participation Fund		**(11,736,785)**	(2,436,124)
Payment made to Worker's Welfare Fund		**(4,468,359)**	(869,350)
Long term deposits paid		**587,406**	(298,000)
Income Taxes paid		**(50,401,802)**	(17,478,169)
		(172,145,716)	(95,836,667)
Net cash generated from operating activities		**122,484,765**	166,900,102
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(563,563,333)**	(11,860,269)
Proceeds from disposal of property, plant and equipment		**7,542,016**	-
Net cash used in investing activities		**(556,021,317)**	(11,860,269)
Cash flows from financing activities			
Long term loans - net		**322,799,565**	(115,410,898)
Net movement in short term borrowings - secured		**157,527,043**	(128,786,908)
Net cash generated from / (used in) financing activities		**480,326,608**	(244,197,806)
Net increase / (decrease) in cash and cash equivalents		**46,790,056**	(89,157,973)
Cash and cash equivalents at beginning of the year		**(16,213,439)**	72,944,534
Cash and cash equivalents at end of the year		**30,576,617**	(16,213,439)
Cash and cash equivalents comprise of the following:			
Cash and bank balances	20	**47,184,335**	22,287,106
Short term running finance	9	**(16,607,718)**	(38,500,545)
		30,576,617	(16,213,439)

The annexed notes from 1 to 33 form an integral part of these financial statements.

Lahore **Chief Executive** **Director**

Al Nasr Textiles Limited
Statement of Changes in Equity
For the year ended 30 June 2018

	Share capital	Accumulated profit	Total
	---Rupees---		
Balance as at 30 June 2016	342,000,000	914,529,961	1,256,529,961
Total comprehensive income for the year			
Profit for the year ended 30 June 2017	-	125,799,421	125,799,421
Other comprehensive income for the year ended 30 June 2017	-	960,382	960,382
	-	126,759,803	126,759,803
Balance as at 30 June 2017	**342,000,000**	**1,041,289,764**	**1,383,289,764**
Total comprehensive income for the year			
Profit for the year ended 30 June 2018	-	164,505,189	164,505,189
Other comprehensive income for the year ended 30 June 2018	-	798,089	798,089
	-	165,303,278	165,303,278
Balance as at 30 June 2018	**342,000,000**	**1,206,593,042**	**1,548,593,042**

The annexed notes from 1 to 33 form an integral part of these financial statements.

Lahore **Chief Executive** **Director**

1 Reporting entity

1.1 Al Nasr Textiles Limited ("the Company") was incorporated in Pakistan in July 2001 as an unquoted public limited company. The Company is a subsidiary of Pak Kuwait Textiles Limited ("the Parent Company"), which holds 96.84% of total paid-up share capital of the Company. The principal activity of the Company is manufacturing and sale of 100% cotton yarn. The registered address of the Company is situated at 29-Shadman II, Lahore, Pakistan. Production facility is situated at 5-Km Raiwind Manga Road, District Kasur, Pakistan.

1.2 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance were particularly affected by the following events and transactions during the reporting period:

- The Company has installed ring frames and comber machine at its existing manufacturing premises. Refer note 13.1 for expenditures incurred during the year. In this regard, the Company has arranged long term finance facilities aggregating Rs. 420 million as referred to in note 6.

2 Statement of compliance

These unconsoliadted financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017; and

- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3 New Companies Act, 2017 and new and revised approved accounting standards, interpretations and amendments thereto

3.1 With effect from 1 January 2018, Companies Act, 2017 has become applicable. The new Act specified certain additional disclosures to be included in the financial statements. Accordingly, the Company has presented the required disclosures in these financial statements and represented certain comparatives. However there was no change in the reported amounts of statement of profit or loss and other comprehensive income or the amounts presented in the statement of financial position due to these re-presentations.

3.2 The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property', effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on the Company's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. The amendment, is not likely to have an impact on the Company's financial statements.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

3.3 Basis of measurement

These financial statements have been prepared on the historical cost convention except for employee retirement benefits that are stated at present value and certain investments are carried at fair value.

3.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupee ("Rs.") which is the Company's functional currency. All financial information presented in Rupees has been rounded off to the nearest rupee, unless otherwise stated.

3.5 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

3.5.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. Any change in estimate may affect the depreciation charge or impairment. The rates of depreciation are specified in note 13.1.

3.5.2 Intangibles

The Company reviews the rate of amortisation and value of intangible assets for possible impairment, on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortisation charge and impairment.

3.5.3 Stores, spare parts, loose tools

The Company reviews the stores, spare parts, loose tools for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spare parts and loose tools with a corresponding affect on the provision and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.5.4 Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess impairment and provision required there against on annual basis.

3.5.5 Stock-in-trade

The Company reviews the carrying amount of stock-in-trade on a regular basis. Carrying amount of stock-in-trade is adjusted where the net realizable value is below the cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.5.6 Provisions

Estimates of the amount of provisions recognized are based on current legal and constructive requirements. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

3.5.7 Recoverable amount of assets / cash generating units and impairment

The management of the Company reviews carrying amounts of its assets including receivables and advances and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

3.5.8 Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Company also regularly reviews the trend of proportion of income between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in year of change.

3.5.9 Employee benefits

The present value of the obligation for gratuity depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge for the year include the discount rate, expected increase in eligible salary and mortality rate. Any changes in these assumptions will impact the carrying amount of obligations for gratuity.

3.5.10 Provisions and Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date.

4 Significant accounting policies

The significant accounting policies have been applied consistently to all periods presented in these financial statements except that pursuant to the requirements of IAS 7 "Statement of cash flows", a disclosure of reconciliation of movements of liabilities to cash flows arising from financing activities has been given in note 30 to the financial statements. This change does not have any impact on the figures reported in these financial statements.

4.1 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

4.2 Taxation

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.3 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Provision is made annually on the basis of actuarial recommendation to cover obligation under the scheme. Actuarial valuation of the scheme is undertaken at appropriate regular intervals and the latest valuation was carried out at 30 June 2018, using the "Projected Unit Credit Method".

Remeasurement of net defined benefit liability, which comprise of actuarial gains and losses is recognized immediately in other comprehensive income. The Company determines net interest expense/(income) on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss.

4.4 Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instruments. Financial assets are de-recognized when the Company looses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognized when they are extinguished, that is, when the obligation specified in the contract is extinguished, cancelled, or expired. Any gain or loss on de-recognizing the financial assets and financial liabilities is taken to profit and loss account currently.

The particular measurement methods adopted for various financial instruments are disclosed in the individual policy statements associated with each item.

4.5 Financial liabilities

Financial liabilities are classified according to substance of contractual arrangements entered into. Significant financial liabilities include short and long term borrowings and trade and other payables.

Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost, if any. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

Other financial liabilities

All other financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

4.6 Trade and other payables

Liabilities for trade and other amounts payables are carried at cost which is the fair value of the consideration to be paid in future for goods or services received.

4.7 Property, plant and equipment

Owned

Property, plant and equipment except freehold land and capital work in progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Depreciation is charged to profit and loss by applying the reducing balance method at rates indicated in note 13.1 to these financial statements. Cost comprises purchase price, including duties and non refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection or installation.

Depreciation on additions to fixed assets is charged on full month basis when asset is capitalized, while no depreciation is charged in the month of disposal.

Major repairs and maintenance, which enhances the production capacity, quality of the premium products and increase the life of machinery, are capitalized, whereas, normal repairs and maintenance are charged to income as and when incurred.

Gain and loss on sale of an item of property, plant and equipment are determined by comparing the proceeds from sale with the carrying amount of property, plant and equipment, and are recognised net within "other income / other expenses" in profit or loss account.

Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in the course of construction and installation including material, labour and overheads directly relating to the project. Transfers are made to relevant category of property, plant and equipment as and when assets are available for use. Capital work in progress is stated at cost, less any identified impairment loss.

4.8 Intangibles

Intangible assets having finite useful life are stated at cost less accumulated amortisation and any identified impairment loss. These are amortized using the straight line method at the rates given in note 14. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any. Amortisation on additions is charged from the month in which an intangible asset is acquired, while no amortisation is charged for the month in which intangible asset is disposed off.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

4.9 Stores, spare parts, loose tools and stock in trade

These are valued at lower of cost or net realizable value. Cost has been determined as follows:

Stores, spare parts and loose tools.	At moving average cost.
Raw material	At moving average cost.
Work in process	At average manufacturing cost.
Finished goods	At average manufacturing cost.

Items in transit, are valued at cost comprising invoiced value and related expenses. The Company reviews the carrying amount of stores and spares and stock in trade on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools and stock in trade. Impairment is also made for slow moving items.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

4.10 Trade debts and other receivables

On initial recognition, these are measured at cost, being their fair value at the date of transaction. Subsequent to initial recognition, these are measured at amortized cost less impairment losses if any, using the effective interest method, with interest recognized in profit and loss account. Bad debts are written off when identified.

4.11 Cash and cash equivalents

Cash and cash equivalents comprise running finances, cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

4.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales tax, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

- Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer;

- Interest income is recognized as and when accrued on effective interest method; and

- Dividend income is recognized when the Company's right to receive payment is established.

4.13 Foreign currency transactions

Foreign currency transactions are converted into Pak Rupees using the exchange rates prevailing on the date of transaction while monetary assets and liabilities are converted into Pak Rupees using the exchange rates prevailing at the balance sheet date. Exchange differences are charged to profit and loss account.

4.14 Borrowing costs

Borrowings and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

4.15 Provisions and contingencies

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate. Where the outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

4.16 Impairment losses

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed through profit and loss account if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed though profit and loss; otherwise it is reversed through other comprehensive income.

Non financial assets

The carrying amount of the Company's non-financial assets except for, inventories and deferred tax asset, are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets of cash generating units.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of cash generating unit.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged.

4.17 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

4.18 Offsetting of financial assets and financial liabilities

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability in the Company's financial statements in the year in which it is declared.

	2018	2017
	Rupees	Rupees
5 Issued, subscribed and paid-up capital		
34,200,000 (2017: 34,200,000) ordinary shares of Rs. 10 each fully paid in cash	**342,000,000**	342,000,000

5.1 Pak Kuwait Textiles Limited, the Parent Company, holds 33,119,000 (2017: 33,119,000) ordinary shares of Rs. 10 each of the Company.

5.2 Directors hold 673,291 (2017: 673,291) ordinary shares of Rs. 10 each of the Company.

6 Long term financing - secured

Banking Companies		Note	2018 Rupees	2017 Rupees	Rate Per annum	Number of remaining installments	Salient features
Faysal Bank Limited (FBL)							
(a)	Term Finance - I		-	310,770	6M KIBOR+1.0%	During the year, the loan has been fully repaid.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement (BMR). This loan along with loan (b), (c) and (d) has sanctioned limit of Rs. 50 million . This facility, along with facility (b), (c), (d), (e), (f), (g), (h) and (i) is secured by way of first pari passu charge to the extent of Rs. 263 million over present and future fixed assets of the Company.
(b)	Term Finance - II		-	1,294,875	6M KIBOR+1.0%	During the year, the loan has been fully repaid.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement.
(c)	Term Finance - III		-	2,741,838	6M KIBOR+1.0%	During the year, the loan has been fully repaid.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement.
(d)	Term Finance - IV		-	296,826	6M KIBOR+1.0%	During the year, the loan has been fully repaid.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement.
(e)	Dimishing Musharika Finance - I		-	1,685,583	6M KIBOR+1.0%	During the year, the loan has been fully repaid.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. This loan alongwith loan (f) has sanctioned limit of Rs. 40 million.
(f)	Dimishing Musharika Finance - II		-	5,972,123	6M KIBOR+1.0%	During the year, the loan has been fully repaid.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement.
(g)	Term Finance - V		-	2,393,000	3M KIBOR+1.0%	During the year, the loan has been fully repaid.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 20 million.
(h)	Dimishing Musharika Finance - III		**3,550,919**	17,754,611	6M KIBOR+1.0%	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 17 September, 2018.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 70 million.
(i)	Dimishing Musharika Finance - IV		**4,443,396**	8,886,735	6M KIBOR+1.0%	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 28 May, 2019.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 50 million.
Bank Al-Habib Limited							
(j)	Dimishing Musharika Finance - I		**111,164,167**	142,925,359	6M KIBOR+0.9 %	The loan is repayable in 20 equal quarterly installments including grace period of one year ending on 09 December, 2021.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 163 million. This facility, along with facility (k), (l), (m), (n) and (o) is secured by way of first joint pari passu charge of Rs.370 million and ranking charge of Rs. 410 million over the fixed assets of the Company.

Banking Companies	Note	2018 Rupees	2017 Rupees	Rate Per annum	Number of remaining installments	Salient features
(k) Dimishing Musharika Finance - II		**6,250,006**	8,750,002	6M KIBOR+0.9 %	The loan is repayable in 48 equal monthly installments including grace period of one year ending on 09 December, 2020.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 10 million.
(l) Term Finance - III		**3,500,000**	17,500,000	6M KIBOR+1.5 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 30 September, 2018.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 56 million.
(m) Term Finance - IV		**6,250,000**	18,750,000	6M KIBOR+1.5 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 31 August, 2018.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 50 million.
(n) Diminishing Musharaka - Vehicles		**8,849,276**	-	6M KIBOR+1.5 %	The loan is repayable in 48 equal monthly installments ending on 26 may, 2022.	The Company obtained this loan for the purpose of new/locally manufactured non commercial vehicles staff/executives/management of the company.
(o) Diminishing Musharaka - VIII		**300,000,000**	-	6M KIBOR+0.9 %	The loan is repayable in 24 equal quarterly installments including grace period of one year ending on 15 September, 2024.	The Company obtained this loan for the purpose of purchase of ring frames. Loan has sanctioned limit of Rs. 300 million.
Askari Bank Limited						
(p) Diminishing Musharaka		**-**	5,544,702	3M KIBOR+1 %	During the year, the loan has been fully repaid.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 11.5 million. This loan facility is secured by way of ranking charge over fixed assets of the Company of Rs.15 million.
Bank Alfalah Limited						
(q) Diminishing Musharaka		**118,056,225**	-	3M KIBOR+0.85 %	The loan is repayable in 24 equal quarterly installments ending on 17 August, 2024.	The Company obtained this loan for the purpose of purchase of comber machines. Loan has sanctioned limit of Rs. 120 million. This loan facility is secured by way of specific charge on Plant & Machinery of the Company of Rs.141 million and ranking charge on fixed assets of the Company (excluding land and building) of Rs. 19 million.
Bank of Punjab						
(r) Term Finance - I		**3,343,500**	7,801,500	6M KIBOR+1.5 %	The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 31 March, 2019.	The Company obtained this loan for the purpose of Balancing Modernization and Replacement. Loan has sanctioned limit of Rs. 100 million. This loan facility is secured by way of ranking charge over fixed assets of the Company of Rs.134 million.
		565,407,489	242,607,924			
Less: Current portion of long term financing	8	**(109,782,164)**	(107,605,994)			
		455,625,325	135,001,930			

	Note	2018 Rupees	2017 Rupees
7 Deferred liabilities			
Staff retirement benefits	*7.1*	**18,700,674**	16,670,758
Deferred tax liability	*7.2*	**213,489,842**	191,280,047
		232,190,516	207,950,805

7.1 Staff gratuity

The latest actuarial valuation of the Company's defined benefit plan, was conducted at 30 June 2018 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

	Note	2018 Rupees	2017 Rupees
7.1.1 The amounts recognized in the balance sheet are as follows:			
Present value of defined benefit obligation	*7.1.4*	**18,700,674**	16,670,758
Liability at end of the year		**18,700,674**	16,670,758
7.1.2 The amounts recognized in the profit and loss account against defined benefit plan are as follows:			
Current service cost		**9,401,762**	9,181,356
Interest cost		**1,010,717**	945,782
Charge to profit and loss		**10,412,479**	10,127,138
7.1.3 Included in other comprehensive income			
Experience adjustment on obligation			
Charge to other comprehensive income		**(1,124,069)**	(1,288,533)
		(1,124,069)	(1,288,533)
7.1.4 Movement in the liability recognized in the balance sheet is as follows:			
Liability at beginning of the year		**16,670,758**	18,258,395
Charge for the year	*7.1.2*	**10,412,479**	10,127,138
Actuarial gain credited to OCI	*7.1.3*	**(1,124,069)**	(1,288,533)
Benefits paid during the year		**(7,258,494)**	(10,426,242)
Liability at end of the year		**18,700,674**	16,670,758
7.1.5 Movement in the liability recognized in the balance sheet is as follows:			
Present value of defined benefit obligation at beginning of the year		**16,670,758**	18,258,395
Current service cost		**9,401,762**	9,181,356
Interest cost		**1,010,717**	945,782
Benefits paid		**(7,258,494)**	(10,426,242)
Remeasurement gain on obligation		**(1,124,069)**	(1,288,533)
Present value of defined benefit obligation at the end of the year		**18,700,674**	16,670,758

	2018 Rupees	2017 Rupees
7.1.6 Amounts recognized in the profit and loss account		
Current service cost	**9,401,762**	9,181,356
Interest cost	**1,010,717**	945,782
	10,412,479	10,127,138

7.1.7 Actuarial assumptions	**2018**	2017
Valuation discount rate	**9.00%**	7.75%
Expected rate of increase in salaries	**8.00%**	6.75%
Average expected remaining working lifetime of employees	**6 years**	6 years

7.1.8 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation at the year end - increase/(decrease)		
	Change in assumptions	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	(995,146)	1,214,414
Salary growth rate	1%	1,276,231	(1,077,209)

7.1.9 The average duration of the defined benefit obligation is 6 years. The Company expects to charge Rs. 11.62 million to profit and loss account on account of defined benefit plan in 2019.

	Note	2018 Rupees	2017 Rupees
7.2 Deferred tax liability			
Taxable temporary difference:			
Accelerated tax depreciation		**223,225,586**	195,887,904
Deductible temporary differences:			
Staff retirement benefits		**(5,423,195)**	(3,917,391)
Provision for WPPF and WWF		**(3,279,050)**	-
Provision for doubtful debts		**(1,033,499)**	(690,466)
Unused tax losses		**-**	-
		213,489,842	191,280,047

8 Current portion of long term liabilities

	Note	2018	2017
Long term financing	*6*	**109,782,164**	107,605,994
		109,782,164	107,605,994

mush

9 Short term borrowing - secured

	2018 Rupees	2017 Rupees
From banking companies:		
Short term financing	**490,073,292**	342,150,639
Short term running finance	**16,607,718**	38,500,545
	506,681,010	380,651,184
Payable against inland bills discounted	**9,604,390**	-
	516,285,400	380,651,184

9.1 These facilities have been obtained from various banking companies for working capital requirements. These are secured by way of joint pari passu charge on current assets of the Company amounting to Rs. 979 million (2017: Rs.979 million), pledge of raw material, lien on import documents . These facilities are expiring on various dates latest by 30 June 2019.

Mark-up on facilities is charged at the rates ranging from 6.52% to 7.52% (2017: 6.51% to 7.16%) per annum payable quarterly.

The aggregate available short term funded facilities amount to Rs. 2,750 million (2017: Rs. 2,795 million).

10 Trade and other payables

	Note	2018 Rupees	2017 Rupees
Trade creditors		**22,464,996**	24,607,786
Accrued liabilities	*10.3*	**165,833,044**	88,136,263
Advances from customers		**29,484,858**	12,738,426
Payable to Workers' Profit Participation Fund	*10.1*	**9,765,069**	10,910,849
Payable to Worker Welfare Fund	*10.2*	**1,541,999**	4,468,359
Withholding tax payable		**225,397**	567,141
Withholding sales tax payable		**403,375**	365,730
Payable to commission and clearing agents		**7,077,801**	6,199,971
Other payables		**10,860,153**	7,602,121
		247,656,692	155,596,646

10.1 Workers' Profit Participation Fund

	Note	2018 Rupees	2017 Rupees
At beginning of the year		**10,910,849**	2,287,764
Allocation for the year	*24*	**9,765,069**	10,910,849
Interest for the year	*26*	**825,936**	148,360
		21,501,854	13,346,973
Less: Paid during the year		**(11,736,785)**	(2,436,124)
At end of the year		**9,765,069**	10,910,849

	Note	2018 Rupees	2017 Rupees
10.2 Workers' Welfare Fund			
At beginning of the year		**4,468,359**	869,350
Allocation for the year	*24*	**1,541,999**	4,468,359
		6,010,358	5,337,709
Less: Paid during the year		**(4,468,359)**	(869,350)
At end of the year		**1,541,999**	4,468,359

10.3 This includes Rs. 59.876 million booked on account of Gas Infrastructure Development Cess (GIDC) for the period from August 2014 to June 2018. The Company, along with various other companies has challenged the legality and validity of levy and demand of GIDC in Honorable Lahore High Court which is pending adjudication. However, on a prudent basis, the Company has recorded the GIDC amount for the mentioned period. Further, due to non payment, default surcharge of Rs. 30.485 million for the period from September 2015 to June 2018 has been imposed on the Company, which has not been recorded in these financial statements based on the opinion of legal advisor. The management is hopeful that the Company will not be required to pay the default surcharge.

11 Mark-up accrued on borrowings

	2018 Rupees	2017 Rupees
Long term financing - secured	**3,616,772**	2,521,219
Short term borrowings - secured	**13,202,432**	8,099,903
	16,819,204	10,621,122

12 Contingencies and commitments

12.1 Contingencies

12.1.1 The Company filed an appeal before the Honorable Supreme Court of Pakistan against the judgment of the Division Bench of the Honorable High Court of Sindh at Karachi. The Division Bench, by judgment dated 15 September 2008, had partly accepted the appeal by declaring that the levy and collection of infrastructure cess / fee prior to 28 December 2006 was illegal and ultra vires and after 28 December 2006, it was legal and the same was collected by the Excise Department in accordance with the law. The appeal was filed against the declaration that the infrastructure cess / fee collected after 28 December 2006 by the Excise Department is in accordance with law. The Province of Sindh and Excise and Taxation Department had also preferred an appeal against the judgment decided against them. The Honorable Supreme Court consolidated both the appeals and were set aside. Thereafter, law has been challenged in constitution petition in the Honorable Sindh High Court Karachi. Stay has been granted by the Honorable High Court on 31 May 2011 on payment of 50% of the cess to the Excise Department and on furnishing of bank guarantee amounting to Rs. 11.57 million for remaining 50% to them. The petition is pending for hearing and stay is continuing. The management is confident of favourable outcome of the matter. The Company's legal counsel concurs with management's representation.

12.1.2 On 30 December 2017, Comissioner Inland Revenue (the Comissioner), through an order under section 122(5A), amended assessment relating to tax year 2013 wherein tax liability was determined as Rs. 70.94 million as against Rs. 11.52 million conceded in the return of that year. The Company filed petition before Honorable Lahore High Court (the Court) for the purpose of stay on the Order. The Court, in its order dated 21 May 2018, granted stay and stated further that stay shall continue until the case is decided by the Comissioner Appeals. At balance sheet date, the matter is pending adjudication and stay is continuing. Management is confident that the matter will ultimately be decided in favor of the Company. The Company's tax advisor concurs with management's representation.

12.1.3 Federal Board of Revenue (FBR) through Sales Tax General Order (STGO) No. 91 of 2014 withdrew zero rating facility for electricity and gas. The Company filed a writ petition and various interim reliefs were granted by court against the withdrawal of zero rating facility. Later on company filed Intra Court Appeal before the Honorable Lahore High Court (LHC) against this withdrawal on which LHC vide its order dated 18 May 2015 directed FBR to decide the issue within a period of 30 days and no recovery for sales tax and income tax was to be made until FBR decides the case. Subsequently, FBR restored facility of zero rating on supply of electricity and gas in sales tax general orders no. 160 & 161 of 2015 and as such there was no adverse order by the FBR which could attract recovery of sales tax.

However, Lahore Electric Supply Company Limited (LESCO) raised a bill demanding arrears of sales tax and income tax of Rs. 37.01 million on 22 March 2016. Against this demand, the Company filed a Writ Petition before the Honorable Lahore High Court on 4 April 2016 on which LHC vide an order dated 19 October 2017 upheld that the Company would pay the amount of sales tax and income tax once it is determined by FBR. Since the amount of sales tax for the period in which zero rating facility was withdrawn has still not been determined by FBR and further a reliable estimate cannot be made for an amount until it is determined by FBR, the Company has not recorded any liability in this regard.

12.2 Commitments

12.2.1 Aggregate amount of bank guarantees issued by banks outstanding as at balance sheet date amounted to Rs. 53.490 million (2017: Rs. 49.990 million)

	2018	2017
	Rupees	Rupees
12.2.2 In respect of:		
letters of credit for:		
- *capital expenditure*	**39,614,973**	416,985,513
- *stores and spares*	**1,327,446**	21,075,128
- *raw material*	-	52,110,575
Civil works	-	5,281,866
	40,942,419	495,453,082

13 Property, plant and equipment

	Note	2018 Rupees	2017 Rupees
Operating fixed assets	*13.1*	**1,657,449,984**	1,260,446,231
Capital work in progress	*13.4*	**36,962,648**	8,344,850
		1,694,412,632	1,268,791,081

13.1 Operating fixed assets

		Cost 2018					Accumulated Depreciation				
		As at 01 July 2017	Additions/ transfers during the year	Disposals/ adjustments during the year	As at 30 June 2018	Rate	As at 01 July 2017	Charge for the year	Disposals during the year	As at 30 June 2018	Net book value as at 30 June 2018
		Rupees				%	Rupees				
Owned											
Freehold land		34,857,369	-	-	34,857,369		-	-	-	-	34,857,369
Buildings on freehold land		241,195,231	8,876,506	-	250,071,737	5	95,912,930	7,475,663	-	103,388,593	146,683,144
Plant and machinery	**13.1.1**	1,847,786,037	493,597,341	(51,710,114)	2,289,673,264	10 & 5	815,257,774	111,137,432	(39,054,771)	887,340,447	1,402,332,817
Vehicles		6,692,028	5,705,500	(907,229)	11,490,299	20	4,832,753	518,790	(749,837)	4,601,706	6,888,593
Furniture and fittings		3,154,431	-	-	3,154,431	10	2,200,952	95,331	-	2,296,283	858,148
Electric installation		86,487,335	26,175,900	-	112,663,235	10	51,877,937	4,858,865	-	56,736,802	55,926,433
Tools and equipment		9,004,000	-	-	9,004,000	10	6,357,773	264,343	-	6,622,116	2,381,884
Office equipment		8,204,482	540,300	-	8,744,782	10	3,570,508	474,673	-	4,045,181	4,699,601
Tube well		4,271,530	50,000	-	4,321,530	10	1,195,585	303,950	-	1,499,535	2,821,995
		2,241,652,443	**534,945,547**	**(52,617,343)**	**2,723,980,647**		**981,206,212**	**125,129,047**	**(39,804,608)**	**1,066,530,663**	**1,657,449,984**
2018		**2,241,652,443**	**534,945,547**	**(52,617,343)**	**2,723,980,647**		**981,206,212**	**125,129,047**	**(39,804,608)**	**1,066,530,663**	**1,657,449,984**

	2017									
	Cost					Accumulated Depreciation				
	As at 01 July 2016	Additions/ transfers during the year	Disposals during the year	As at 30 June 2017	Rate	As at 01 July 2016	Charge for the year	Disposals during the year	As at 30 June 2017	Net book value as at 30 June 2017
	Rupees				%	Rupees				
Owned										
Freehold land	34,857,369	-	-	34,857,369		-	-	-	-	34,857,369
Buildings on freehold land	241,195,231	-	-	241,195,231	5	88,266,493	7,646,437	-	95,912,930	145,282,301
Plant and machinery	1,849,488,239	1,712,769	(3,414,971)	1,847,786,037	10 & 5	734,282,448	83,172,343	(2,197,017)	815,257,774	1,032,528,263
Vehicles	6,637,754	54,274	-	6,692,028	20	4,367,934	464,819	-	4,832,753	1,859,275
Furniture and fixture	3,132,831	21,600	-	3,154,431	10	2,095,810	105,142	-	2,200,952	953,479
Electric installation	84,209,835	2,277,500	-	86,487,335	10	48,140,076	3,737,861	-	51,877,937	34,609,398
Tools and equipment	9,004,000	-	-	9,004,000	10	6,063,748	294,025	-	6,357,773	2,646,227
Office equipment	7,255,206	949,276	-	8,204,482	10	3,090,343	480,165	-	3,570,508	4,633,974
Tube well	4,271,530	-	-	4,271,530	10	853,813	341,772	-	1,195,585	3,075,945
	2,240,051,995	5,015,419	(3,414,971)	2,241,652,443		887,160,665	96,242,564	(2,197,017)	981,206,212	1,260,446,231
2017	2,240,051,995	5,015,419	(3,414,971)	2,241,652,443		887,160,665	96,242,564	(2,197,017)	981,206,212	1,260,446,231

13.1.1 Addition during the year includes cost and other charges amounting to Rs 410 million relating to comber machines and ring frames.

13.2 The depreciation charge for the year has been allocated as follows:

	Note	**2018 Rupees**	2017 Rupees
Cost of sales	*21*	**123,252,111**	94,798,926
Administrative expenses	*22*	**1,876,936**	1,443,638
		125,129,047	96,242,564

13.3 Disposal of property, plant and equipment

Particular of assets	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss)	Mode of disposal	Relationship with the	Particulars of purchaser
	Rupees							
Plant and machinery								
Ring Frames FA-507	35,151,581	26,724,623	8,426,958	5,700,000	(2,726,958)	Negotiation	Third Party	Ishaq Textile Mills Limited Faisalabad
Ring Frames EJM-168	14,050,442	10,450,993	3,599,449	1,200,000	(2,399,449)	Negotiation	Third Party	Ishaq Textile Mills Limited Faisalabad
Drawing Breaker Dyh-500C	2,508,091	1,879,155	628,936	378,150	(250,786)	Negotiation	Third Party	Mr.Anstoor Satina Road,Faisalabad
Vehicles								
Motor Bike Honda Cd-70 Ley-3738	65,229	54,987	10,242	11,765	1,523	Negotiation	Employee	Samat Ullah
Motor Car Suzuki Swift Led-10-6640	842,000	694,850	147,150	252,101	104,951	Negotiation	Third Party	Ahmed Hussain
2018	**52,617,343**	**39,804,608**	**12,812,735**	**7,542,016**	**(5,270,719)**			
2017	3,414,971	2,197,017	1,217,954	-	(1,217,954)			

13.4 Capital work in progress	Note	2018 Rupees	2017 Rupees
Opening balance		**8,344,850**	-
Additions during the year		**449,563,139**	8,486,707
Transfers to property, plant and equipment		**(412,893,066)**	-
Adjustment of advance		**(8,052,275)**	(141,857)
Closing balance	13.5	**36,962,648**	8,344,850

13.5 The breakup is as follows:

	2018	2017
Plant and machinery	**1,842,648**	5,429,316
Advances for civil work	-	2,915,534
Advance against purchase of land	**30,000,000**	-
Advance against purchase of vehicles	**5,120,000**	-
	36,962,648	8,344,850

14 Intangibles

	Note	2018 Rupees	2017 Rupees
Computer software			
Cost	*14.1*	**1,973,122**	1,973,122
Less: Accumulated amortisation	*14.2*	**(1,874,463)**	(1,479,839)
		98,659	493,283

	2018	2017
	------ Percentage -------	
Amortization rate	**20%**	20%

14.1 Cost

	2018 Rupees	2017 Rupees
At beginning of the year	**1,973,122**	1,973,122
Additions during the year	**-**	-
At end of the year	**1,973,122**	1,973,122

14.2 Accumulated amortisation

At beginning of the year	**1,479,839**	1,085,215
Amortisation for the year	**394,624**	394,624
At end of the year	**1,874,463**	1,479,839

14.3 The amortisation charge for the year has been allocated to administrative expenses as referred to in note 22.

15 Long term deposits

These mainly include security deposits with Water and Power Development Authority.

16 Stores, spare parts and loose tools

	2018 Rupees	2017 Rupees
Stores	**17,779,911**	16,912,533
Spare parts and loose tools	**28,077,715**	27,588,019
	45,857,626	44,500,552

17 Stock-in-trade

	Note	2018 Rupees	2017 Rupees
Raw material	*17.1*	**710,409,155**	540,623,900
Packing material		**8,668,796**	9,672,437
Work in process		**13,903,350**	14,209,275
Finished goods	*17.2*	**51,113,541**	146,044,212
		784,094,842	710,549,824

17.1 Raw materials amounting to Rs. 543.584 million (2017: Rs. 342.15 million) are pledged with lenders as security against short term borrowings as mentioned in note 9.1.

17.2 This includes net realizable value adjustment of Nil (2017: 2.97 million)

18 Trade debts

	Note	2018 Rupees	2017 Rupees
Local debtors - *unsecured, considered good*		**109,855,587**	82,034,362
Considered doubtful		**3,563,791**	2,711,216
		113,419,378	84,745,578
Provision for doubtful debts	*22*	**(3,563,791)**	(2,711,216)
		109,855,587	82,034,362

19 Advances, deposits and prepayments

Advances to employees - *unsecured, considered good*		**736,098**	412,012
Advances to suppliers - *unsecured, considered good*			
- local		**15,620,910**	1,206,153
- foreign		**7,390,591**	5,076,466
Security deposits		**6,000**	6,000
Sales tax receivable		**277,603,779**	167,404,231
Advance against letters of credit		**2,348,060**	1,208,745
Margin on bank guarantees		**12,496,427**	8,996,427
Prepayments		**13,512,331**	1,310,935
		329,714,196	185,620,969

20 Cash and bank balances

Cash in hand		**580,293**	767,966
Cash at bank:			
Current accounts		**46,604,042**	21,508,981
Saving account	*20.1*	**-**	10,159
		47,184,335	22,287,106

20.1 These carry mark-up on saving account at nil (2017: from 3.75% to 4.75%) per annum.

21 Cost of sales	Note	2018 Rupees	2017 Rupees
Raw material consumed		**2,315,845,096**	1,909,708,897
Salaries, wages and benefits		**193,293,737**	178,403,327
Power and fuel		**464,818,702**	390,119,854
Stores and spares consumed		**63,545,844**	46,706,267
Packing material consumed		**54,022,323**	51,174,071
Repairs and maintenance		**43,415,700**	52,643,724
Vehicles running and maintenance		**1,689,823**	1,361,619
Insurance		**13,440,914**	11,452,617
Staff retirement benefits		**9,916,548**	9,606,147
Rent, rates, taxes		**700,687**	517,802
Freight charges		**448,285**	314,999
Entertainment		**653,272**	634,334
Depreciation	*13.2*	**123,252,111**	94,798,926
Other expenses		**7,451,655**	6,788,101
		3,292,494,697	2,754,230,685
Work in process			
At beginning of the year		**14,209,275**	16,380,099
At end of the year		**(13,903,350)**	(14,209,275)
		305,925	2,170,824
Cost of goods manufactured		**3,292,800,622**	2,756,401,509
Finished goods			
At beginning of the year		**146,044,212**	47,291,449
At end of the year		**(51,113,541)**	(146,044,212)
		94,930,671	(98,752,763)
Cost of sales - purchased products		**141,277,020**	5,734,862
Other cost of sales comprising freight expenses on sale		**3,884,300**	2,810,173
		3,532,892,613	2,666,193,781

22 Administrative expenses

Salaries and other benefits		**16,470,692**	16,798,937
Traveling expenses		**62,251**	52,765
Telephone, postage and telegrams		**132,139**	124,427
Rent, rates and taxes		**1,903,610**	1,653,795
Power and fuel		**860,315**	856,249
Printing and stationery		**300,681**	301,355
Entertainment		**261,255**	284,448
Insurance		**61,167**	48,984
Repairs and maintenance		**252,318**	391,040
Legal and professional charges		**773,750**	1,066,660
Auditors' remuneration	*22.1*	**350,000**	250,000
Vehicle running and maintenance		**349,784**	733,969
Charity and donation	*22.2*	**7,125,000**	6,684,163
Subscription fees		**487,619**	178,459
Staff retirement benefits		**495,931**	520,991
Write off and provision for doubtful debts	*18*	**1,002,575**	1,853,458
Depreciation	*13.2*	**1,876,936**	1,443,638
Amortisation	*14.2*	**394,624**	394,624
Other expenses		**1,522,548**	1,028,082
		34,683,195	34,666,044

		2018 Rupees	2017 Rupees
22.1	**Auditors' remuneration**		
	Audit fee	**300,000**	200,000
	Out of pocket expense	**50,000**	50,000
		350,000	250,000

22.2 These donations are paid to Chaudhary Nasurullah Family Trust. Mr. Tariq Mehmood (CEO), Mr. Javed Nasrullah (director) and Mr. Raza Nasrullah (director) are on the board of trustees.

		Note	2018 Rupees	2017 Rupees
23	**Distribution cost**			
	Freight and other expenses - export		**1,005,718**	-
	Salaries and other benefits		**318,710**	301,571
	Commission on yarn sales - local		**20,817,698**	16,652,838
	Loading and other expenses		**7,274,236**	5,222,230
			29,416,362	22,176,639

		Note	2018 Rupees	2017 Rupees
24	**Other expenses**			
	Workers' Profit Participation Fund	*10.1*	**9,765,069**	10,910,849
	Workers' Welfare Fund	*10.2*	**1,541,999**	4,468,359
	Loss on disposal of property, plant and equipment		**5,270,719**	-
			16,577,787	15,379,208

		Note	2018 Rupees	2017 Rupees
25	**Other income**			
	From financial assets:			
	- Profit on bank deposits		**1,896**	208
	- Insurance claim against yarn theft		-	6,051,432
	- Exchange gain		**1,054,610**	-
	From non-financial assets:			
	- Income on sale of scrap		**252,454**	264,464
			1,308,960	6,316,104

		Note	2018 Rupees	2017 Rupees
26	**Finance cost**			
	Interest and mark-up on			
	- Long term financing - *secured*		**37,747,030**	22,218,489
	- Short term borrowings - *secured*		**61,076,350**	34,240,915
	Finance cost on letter of credit		**2,908,252**	2,477,139
	Commission and other charges on letter of credit		**1,564,903**	1,111,468
	Interest on Workers' Profit Participation Fund	*10.1*	**825,936**	148,360
	Commission on bank guarantees		**531,596**	343,688
	Bank charges		**411,697**	329,276
			105,065,764	60,869,335

27 Taxation

	2018 Rupees	2017 Rupees
Current		
- for the year	-	63,541,983
- prior	(2,394,698)	94,414
	(2,394,698)	63,636,397
Deferred - for the year	21,883,815	13,401,953
	19,489,117	77,038,350

27.1 Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit:

	2018	2017
Profit before taxation	183,994,306	202,837,771
	------- (Percentage) --------	
Applicable tax rate as per Income Tax Ordinance, 2001	30%	31%
	2018 Rupees	2017 Rupees
Tax effect of:	55,198,292	62,879,709
- income under Final Tax Regime	3,185,816	-
- change in proportion of local and export sales	34,046,902	15,683,578
- prior year adjustment in current tax	(2,394,698)	94,414
- tax credits	(46,805,248)	(4,362,616)
- tax rate adjustment	(41,234,074)	-
- effect of minimum tax over tax under Normal Tax Regime	23,675,257	-
- effect of permanent difference on donations	2,137,500	2,072,091
- others	(8,320,630)	671,174
	(35,709,175)	14,158,641
	19,489,117	77,038,350

27.2 The provision for current year tax represents tax on taxable income at the rate of 30%, net of tax credits. As per management's assessment, the provision for tax made in the financial statements is sufficient. A comparison of last three years' of income tax provisions with tax assessment is presented below:

Tax Years	Tax provision as per financial statements	Tax as per assessment / return
2015	28,988,941	29,040,437
2016	8,477,762	8,571,109
2017	63,541,983	65,993,776

28 Related party transactions and balances

The related parties comprise holding company, companies under common directorship, Directors of the Company, key management personnel and staff retirement funds. Transactions and balances with related parties are as follows:

	Relationship	Nature of transactions	Note	2018 Rupees	2017 Rupees
With parent company					
Pak Kuwait Textiles Limited	Parent Company	Reimbursements of expenses		**2,380,477**	2,487,499
		Sale of Raw material		**76,176,194**	-
		Receivable balance-unsecured		**15,000,000**	-
Key Management Personnel					
	Executive	Remuneration	*31*	**4,146,046**	3,198,583

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of their management team, including the Chief Executive Officer and Directors to be its key management personnel.

29 Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board of Directors reviews and agrees policies for managing each of these risks.

29.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

29.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the end of the reporting period was as follows:

	2018 **Rupees**	2017 Rupees
Trade debts - *unsecured, considered good*	**109,855,587**	82,034,362
Deposits and other receivables	**8,707,478**	11,885,694
Margin account with a banking company	**12,496,427**	8,996,427
Bank balances	**46,604,042**	21,519,140
	177,663,534	124,435,623

29.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2018 **Rupees**	2017 **Rupees**
Customers	**109,855,587**	82,034,362
Banking companies and financial institutions	**59,100,469**	30,515,567
Others	**8,707,478**	11,885,694
	177,663,534	124,435,623

29.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

29.1.3(a) *Counterparties with external credit ratings*

These include banking companies and financial institutions. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

Banks	Rating		Rating	2018	2017
	Short term	Long term	Agency	Rupees	Rupees
National Bank of Pakistan	A1+	AAA	PACRA	**869,769**	957,846
Faysal Bank Limited	A1+	AA	PACRA	**34,036,162**	8,996,453
Faysal Bank Barkat Islamic Banking	A1+	AA	PACRA	**602,076**	62,800
Habib Bank Limited	A-1+	AAA	JCR-VIS	**8,890,830**	2,556,680
Bank Alfalah Limited	A1+	AA+	PACRA	**-**	369
Bank Alfalah Limited Islamic Banking	A1+	AA+	PACRA	**1,287,868**	1,091,811
Meezan Bank Limited	A-1+	AA	JCR-VIS	**1,454,387**	4,557,258
United Bank Limited	A-1+	AAA	JCR-VIS	**5,509**	5,509
MCB Bank Limited	A1+	AAA	PACRA	**61,108**	1,868,594
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**-**	2,904,965
Bank Al Habib Limited	A1+	AA+	PACRA	**11,399,844**	4,465,874
Bank of Punjab	A1+	AA	PACRA	**135,688**	1,118,181
Askari Bank Limited	A1+	AA+	JCR-VIS	**357,228**	1,929,227
				59,100,469	30,515,567

29.1.3(b) *Counterparties without external credit ratings*

These include customers which are counter parties to local and foreign trade debts against sale of yarn. The analysis of ages of trade debts of the Company as at the reporting date is as follows:

	2018	2017
	Rupees	Rupees
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	**105,012,224**	62,303,504
Past due 31-180 days	**4,197,731**	16,563,369
Past due 181 days -365 days	**645,632**	3,161,361
Past due 366 & above	**-**	6,128
	109,855,587	82,034,362

As at year end, trade debts do not include any balance receivable from related parties (2017: Nil).

29.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets, or that such obligations will have to be settled in a manner unfavorable to the Company. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

29.2.1 **Exposure to liquidity risk**

29.2.1(a) ***Contractual maturities of financial liabilities, including estimated interest payments***

The following are the remaining contractual maturities at the reporting date. The amounts are grossed and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

	2018				
Non-derivative financial liabilities	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**Above 5 years**
			(Rupees)		
Long term financing - *secured*	565,407,489	690,191,540	147,637,583	524,797,893	17,756,064
Trade and other payables	206,235,994	206,235,994	206,235,994	-	-
Mark-up accrued on borrowings	16,819,204	16,819,204	16,819,204	-	-
Short term borrowings - *secured*	516,285,400	516,285,400	516,285,400	-	-
	1,304,748,087	**1,429,532,138**	**886,978,181**	**524,797,893**	**17,756,064**

	2017				
Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
			(Rupees)		
Long term financing - *secured*	242,607,924	272,859,525	122,024,441	150,835,084	-
Trade and other payables	126,546,141	126,546,141	126,546,141	-	-
Mark-up accrued on borrowings	10,621,122	10,621,122	10,621,122	-	-
Short term borrowings - *secured*	380,651,184	380,651,184	380,651,184	-	-
	760,426,371	790,677,972	639,842,888	150,835,084	-

29.3 **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. The Company is not exposed to market risk.

29.3.1 **Currency risk**

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denominated in US dollars and on foreign currency bank accounts. The Company's exposure to foreign currency risk for US Dollars is as follows:

29.3.1(a) ***Exposure to currency risk***

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows. The figures represent foreign currency balances after conversion in Pak Rupees using exchange rates prevailing at the balance sheet date.

	2018		2017	
	USD	**Rupees**	USD	Rupees
Foreign creditors	**60,810**	**7,394,496**	1,621	170,129
Foreign debtors	-	-	-	-
Net exposure	**60,810**	**7,394,496**	1,621	170,129

29.3.1(b) ***Exchange rates applied during the year***

	Average rate		**Reporting date rate**	
	2018	2017	**2018**	2017
The following significant exchange rate has been applied:	**Rupees**	Rupees	**Rupees**	Rupees
USD to PKR	**110.42**	104.78	**121.60**	104.95

Sensitivity analysis

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the following currencies would have affected the measurement of financial instruments denominated in foreign currency and affected profit and loss by the amounts shown below at the balance sheet. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect on profit or loss	**2018** **Rupees**	2017 Rupees
US Dollars	**739,450**	17,013

The strengthening of the PKR against US Dollar would have had an equal but opposite impact on the pre tax (loss)/profit.

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

29.3.2 **Interest rate risk**

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Carrying amount	
Variable rate instruments:	**2018 Rupees**	2017 Rupees
Financial liabilities		
Long term loans - secured	**565,407,489**	242,607,924
Short term borrowing - secured	**516,285,400**	380,651,184
	1,081,692,889	623,259,108
Financial assets		
Saving bank accounts	-	(10,159)
	1,081,692,889	623,248,949

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit before taxation 100 bps	
As at 30 June 2018	**Increase Rupees**	**Decrease Rupees**
Cash flow sensitivity-Variable rate financial liabilities	**(10,816,929)**	**10,816,929**
As at 30 June 2017		
Cash flow sensitivity-Variable rate financial liabilities	(6,232,489)	6,232,489

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

29.4 **Capital management**

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) To provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

29.5 **Financial instruments-fair values**

29.5.1 Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments including their levels in the fair value hierarchy:

		Carrying Amount			Fair Value		
On-Balance sheet financial instruments	*Note*	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**
				Rupees			
30 June 2018							
Financial assets measured at fair value		-	-	-	-	-	-
		-	-	-	-	-	-
Financial assets not measured at fair value							
Cash and bank balances		47,184,335	-	47,184,335	-	-	-
Deposits and other receivables		8,707,478	-	8,707,478	-	-	-
Margin account with a banking company		12,496,427	-	12,496,427	-	-	-
Trade debts - unsecured, considered good		109,855,587	-	109,855,587	-	-	-
	29.5.1.1	178,243,827	-	178,243,827	-	-	-
Financial liabilities measured at fair value		-	-	-	-	-	-
		-	-	-	-	-	-
Financial liabilities not measured at fair value							
Long term financing - *secured*		-	565,407,489	565,407,489	-	-	-
Trade and other payables		-	206,235,994	206,235,994	-	-	-
Short term borrowings - *secured*		-	516,285,400	516,285,400	-	-	-
Mark-up accrued on borrowings		-	16,819,204	16,819,204	-	-	-
	29.5.1.1	-	1,304,748,087	1,304,748,087	-	-	-

On-Balance sheet financial instruments	Note	Carrying Amount: Loans and receivables	Carrying Amount: Other financial liabilities	Carrying Amount: Total	Fair Value: Level 1	Fair Value: Level 2	Fair Value: Level 3
		------	------	Rupees	------	------	------
30 June 2017							
Financial assets measured at fair value		-	-	-	-	-	-
		-	-	-	-	-	-
Financial assets not measured at fair value							
Cash and bank balances		22,287,106	-	22,287,106	-	-	-
Deposits and other receivables		11,885,694	-	11,885,694	-	-	-
Margin account with a banking company		8,996,427	-	8,996,427			
Trade debts - unsecured, considered good		82,034,362	-	82,034,362	-	-	-
	29.5.1.1	125,203,589	-	125,203,589	-	-	-
Financial liabilities measured at fair value		-	-	-	-	-	-
		-	-	-	-	-	-
Financial liabilities not measured at fair value							
Long term financing - *secured*		-	242,607,924	242,607,924	-	-	-
Trade and other payables		-	126,546,141	126,546,141	-	-	-
Short term borrowings - *secured*		-	380,651,184	380,651,184	-	-	-
Mark-up accrued on borrowings		-	10,621,122	10,621,122	-	-	-
	29.5.1.1	-	760,426,371	760,426,371	-	-	-

29.5.1.1 The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

30 Reconciliation of movements of liabilities to cash flows arising from financing activities.

	30 June 2018		
	Liabilities		
	Long term finances	Short term borrowings	Total
	---------- Rupees ----------		
Balance as at 01 July 2017	242,607,924	342,150,639	584,758,563
Changes from financing activities			
Borrowings during the year - secured	418,056,225	1,961,739,594	2,379,795,819
Repayment of long term finances	(95,256,660)	-	(95,256,660)
Repayment of short term borrowings - net	-	(1,804,212,551)	(1,804,212,551)
Total changes from financing cash flows	**322,799,565**	**157,527,043**	**480,326,608**
Closing as at 30 June 2018	**565,407,489**	**499,677,682**	**1,065,085,171**

31 Remuneration of key management personnel

The aggregate amounts charged in the financial statements for the remuneration, including all benefits, to the Executive Director and executives of the Company were as follows:

	Executive Director		Executives	
	2018	2017	**2018**	2017
	---------- (Rupees) ----------			
Managerial remunerations	**2,856,000**	2,520,000	-	-
Retirement benefits	**187,000**	165,000	-	-
Utilities	**204,000**	180,000	-	-
Leave Encashment	**150,000**	133,333	-	-
Medical expenses	**749,046**	200,250	-	-
	4,146,046	3,198,583	-	-
Number of persons	**1**	1	-	-

31.1 No remuneration or any other benefits are being paid to the Chief Executive Officer of the Company (2017:

31.2 The total and average number of employees during the year and as at 30 June are as follows:

	2018	2017
	(Number of persons)	
Number of employees as at 30 June	**673**	641
Number of factory employees as at 30 June	**646**	609
Average number of employees during the year	**670**	637
Average number of factory employees during the year	**641**	603

32 Plant capacity and actual production

Spinning	Unit	2018	2017
Number of spindles installed	*No.*	**45,984**	45,408
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**18,385,794**	18,155,492
Actual production converted into 20s count	*Kgs*	**21,190,873**	21,077,117

It is difficult to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed and twist, picks etc. It would also vary according to the pattern of production adopted in a particular year.

33 Date of authorization for issue

These financial statements were authorized for issue on 09 OCT 2018 by the Directors of the Company.

Name of Company **AL NASR TEXTILES LTD.**

Pattern of Holdings of the Shares held by the Shareholders of **AL NASR TEXTILES LTD.**

as at **30 th June , 2018**

No. of shareholders	Shareholding From	To	Total Shares held
2	00001	10,000	9,092
7	10,001	50,000	299,103
1	50,001	100,000	99,515
3	100,001	300,000	673,290
1	30,000,001	35,000,000	33,119,000
14		TOTAL:-	34,200,000

Categories of Shareholders	No of Shareholders	Shares Held	Percentage
Individuals	14	1,081,000	3.16%
Holding co.	1	33,119,000	96.84%
TOTAL:-	15	34,200,000	100.00%

Al Nasr Textiles Limited

Meeting Schedule for the Year ended 30th June, 2018

Director Name	Quarter - 1	Quarter - 2	Quarter - 3	Quarter - 4	Total Meetings Attended
Mr. Tariq Mehmood	✓	✓	✓	✓	4
Mr. Javed Nasrullah	✗	✓	✓	✗	2
Mr. Raza Nasrullah	✓	✗	✓	✓	3