

Pak Kuwait Textiles Limited

Financial Statements for the Period Ended
30 June 2017

PAK KUWAIT TEXTILES LIMITED

Directors Report for the Year Ending 30th June, 2017



PAK KUWAIT

The Directors of **Pak Kuwait Textiles Limited** are pleased to present the Annual report along with Audited Financial Statements for the year ended 30th June, 2017.

FINANCIAL HIGHLIGHTS

Comparison of Audited result for the year ended June 30, 2017 as against June 30, 2016 is as follows:

	30.06.2017 (Rs.)	30.06.2016 (Rs.)
Sales (Net)	3,342,893,244	3,039,204,581
Gross Profit	210,673,594	135,691,366
Profit / (Loss) before Taxation	54,203,507	(12,946,283)
Taxation	(38,572,525)	(39,382,531)
Profit / (Loss) after Taxation	15,630,982	(52,328,814)
Total Comprehensive Income / (Loss) for the year	15,693,570	(52,358,406)
Un-appropriated Profit brought forward	819,901,584	872,259,990
Dividend	(28,125,000)	-
Un-appropriated Profit carried forward	807,470,154	819,901,584
Earnings / (Loss) per Share	0.42	(1.40)

COMPANY PERFORMANCE

During the year, your company posted a pre-tax profit of Rs. 54,203,507 as against a pre-tax loss of Rs. 12,946,283 in the last financial year representing 519 % year on year increase. The Gross Profit Margin increased by 55 % as compared to F/Y 2016. The major factor for low profitability was an international slump in commodity prices due to a global decrease in the demand for yarn. The increased productivity and availability of subsidized imported yarn on competitive rates from India and the decreased demand abroad for local yarn further decreased the yarn prices locally. Major components of conversion cost kept on increasing throughout the year owing to general inflationary trends. Partial increase in conversion cost was offset in the year due to production of fine counts & increased efficiency. Your company posted a profit after tax of Rs. 15,693,570 as compared to last year's loss after tax of Rs. 52,328,814 (F/Y 2016).

Pak Kuwait Textiles Limited

Head office: 29 Shadman-II, Lahore, Pakistan. Phone: +92 42-111-888-600 Fax: +92 42-37575531, 37587977

E-Mail: yarn@pakkuwait.com Web Site: www.pakkuwait.com

Factory: Hadali Town Jauharabad. Phone: +92 454-739181-3 Fax: +92 454-739184

ISO 9001 CERTIFIED

PAK KUWAIT TEXTILES LIMITED

Directors Report for the Year Ending 30th June, 2017



PAK KUWAIT

BALANCING MODERNIZATION & REPLACEMENT (BMR)

Addition to Plant & Machinery was made during the year ended 30th June, 2017. These additions will ensure the production of high quality yarn in the future. The details are as follows:

- 2 x Auto Leveller for MK5 Card (Crosrol)

FUTURE PROSPECTS

Currently Cotton prices are extremely volatile, efforts are being made to procure cotton at reasonable rates in order to maintain profitability to a reasonable level during the current year. 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 Gas for electricity generation will be important to balance the increase in the cost of production. The yarn rates have been depressed, which would adversely impact the financial results of the year 2017 / 2018.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on 30 June 2017, as required under Section 236(2) (d) of the Companies Ordinance 1984, 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 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
9th October 2017


(TARIQ MEHMOOD)
Chief Executive

Pak Kuwait Textiles Limited

Head office: 29 Shadman-II, Lahore, Pakistan. Phone: +92 42-111-888-600 Fax: +92 42-37575531, 37587977

E-Mail: yarn@pakkuwait.com Web Site: www.pakkuwait.com

Factory: Hadali Town Jauharabad. Phone: +92 454-739181-3 Fax: +92 454-739184

ISO 9001 CERTIFIED



KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Servis House
2-Main Gulberg Jail Road,
Lahore Pakistan

Telephone + 92 (42) 3579 0901-6
Fax + 92 (42) 3579 0907
Internet www.kpmg.com.pk

Auditor's Report to the Members

We have audited the annexed unconsolidated balance sheet of **Pak Kuwait Textiles Limited ("the Company")** as at 30 June 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

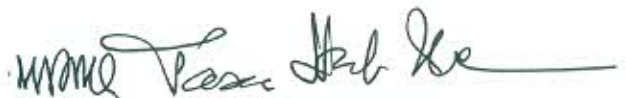
We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis,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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and

- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date 09 OCT 2017

Lahore



KPMG Taseer Hadi & Co.
Chartered Accountants
(M. Rehan Chughtai)

Pak Kuwait Textiles Limited
Unconsolidated Balance Sheet
As at 30 June 2017

	Note	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
<u>Share capital and reserve</u>			
Authorized share capital 40,000,000 (2016: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid-up capital	4	375,000,000	375,000,000
Accumulated profit		807,470,154	819,901,584
		1,182,470,154	1,194,901,584
<u>Non-current liabilities</u>			
Long term financing - secured	5	82,488,421	115,059,832
Deferred liabilities	6	116,511,757	110,351,468
		199,000,178	225,411,300
<u>Current liabilities</u>			
Current portion of long term financing	7	48,519,244	52,795,319
Short term borrowings - secured	8	202,864,636	394,147,448
Trade and other payables	9	145,035,494	151,129,469
Accrued mark-up	10	7,012,617	9,810,760
		403,431,991	607,882,996
		1,784,902,323	2,028,195,880
Contingencies and commitments			
	11		
		1,784,902,323	2,028,195,880
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	12	649,681,342	696,151,492
Intangibles	13	2,414,977	4,207,959
Long term deposits	14	5,792,530	5,792,530
Long term investment	15	331,190,000	331,190,000
		989,078,849	1,037,341,981
<u>Current assets</u>			
Stores, spare parts and loose tools	16	26,541,897	26,120,098
Stock-in-trade	17	384,276,428	619,471,835
Short term investments	18	-	10,348,560
Trade debts - considered good	19	176,424,189	113,947,837
Advances, deposits and prepayments	20	99,165,713	83,465,477
Other receivables		3,391,308	475,034
Advance tax - net		37,454,526	54,080,648
Cash and bank balances	21	68,569,413	82,944,410
		795,823,474	990,853,899
		1,784,902,323	2,028,195,880

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore

Chief Executive

Director

Director

Pak Kuwait Textiles Limited
Unconsolidated Profit and Loss Account
For the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
Sales - net	22	3,342,893,244	3,039,204,581
Cost of sales	23	(3,132,219,650)	(2,903,513,215)
Gross profit		<u>210,673,594</u>	<u>135,691,366</u>
Administrative expenses	24	(38,885,801)	(37,467,051)
Distribution cost	25	(59,518,180)	(54,337,672)
Other expenses	26	(4,203,355)	(1,306,746)
Other income	27	3,163,208	1,091,708
		<u>(99,444,128)</u>	<u>(92,019,761)</u>
Operating profit		<u>111,229,466</u>	<u>43,671,605</u>
Finance cost	28	(57,025,959)	(56,617,888)
Profit / (loss) before taxation		<u>54,203,507</u>	<u>(12,946,283)</u>
Taxation	29	(38,572,525)	(39,382,531)
Profit / (loss) after taxation		<u><u>15,630,982</u></u>	<u><u>(52,328,814)</u></u>

www.pkwt.com

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore


Chief Executive


Director

Pak Kuwait Textiles Limited
 Unconsolidated Statement of Comprehensive Income
 For the year ended 30 June 2017

	2017 Rupees	2016 Rupees
Profit / (loss) after taxation	15,630,982	(52,328,814)
<u>Other comprehensive income</u>		
<i>Items that will never be reclassified to profit and loss account</i>		
Remeasurement of defined benefit obligation	83,855	(38,937)
Related deferred tax	(21,267)	9,345
	62,588	(29,592)
Total comprehensive income for the year	15,693,570	(52,358,406)

WMS/MA

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore


 Chief Executive


 Director

Pak Kuwait Textiles Limited
Unconsolidated Cash Flow Statement
For the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
<u>Cash flows from operating activities</u>			
Profit / (Loss) before taxation		54,203,507	(12,946,283)
<u>Adjustments for non-cash items:</u>			
Depreciation on property, plant and equipment	12	66,334,056	71,534,610
Amortization on intangibles	13	1,792,982	1,792,982
Finance cost		57,025,959	56,468,752
(Gain) / loss on disposal of property, plant and equipment		(706,633)	1,099,291
Unrealized gain on re-measurement of investments at fair value		-	(35,590)
Provision for doubtful debts		-	904,169
Provision for Worker's Profit Participation Fund		2,920,343	149,136
Provision for Worker's Welfare Fund		1,283,012	207,455
Provision for staff retirement benefits		19,585,764	19,494,434
		148,235,483	151,615,239
Operating profit before working capital changes		202,438,990	138,668,956
<u>Changes in working capital</u>			
<u>Decrease/(increase) in current assets:</u>			
Stores, spare parts and loose tools		(421,799)	4,084,780
Stock-in-trade		235,195,407	(105,499,078)
Trade debts		(62,476,352)	29,138,309
Advances, deposits and prepayments		(15,700,236)	27,375,199
Other receivables		(2,916,274)	9,470,790
		153,680,746	(35,430,000)
<u>Decrease in current liabilities:</u>			
Trade and other payables		(10,297,330)	(23,287,895)
		143,383,416	(58,717,895)
Cash generated from operations		345,822,406	79,951,061
<u>Finance cost paid</u>			
Finance cost paid		(59,824,102)	(56,134,809)
Staff retirement benefits paid		(20,561,536)	(16,860,483)
Payment made to Worker's Profit Participation Fund		-	(2,634,728)
Payment made to Worker's Welfare Fund		-	(1,125,193)
Income tax paid		(14,747,754)	(16,369,702)
Long term deposits		-	(109,430)
		(95,133,392)	(93,234,345)
Net cash generated from / (used in) operating activities		250,689,014	(13,283,284)
<u>Cash flows from investing activities</u>			
Acquisition of property, plant and equipment		(21,095,088)	(82,402,576)
Short term investments		10,348,560	-
Proceeds from disposal of property, plant and equipment		1,937,815	405,128
Net cash used in investing activities		(8,808,713)	(81,997,448)
<u>Cash flows from financing activities</u>			
Long term financing - net		(36,847,486)	25,654,581
Short term borrowings - net		(154,414,559)	(7,536,152)
Payment of finance lease liabilities		-	(401,455)
Dividend paid		(28,125,000)	-
Net cash (used in) / generated from financing activities		(219,387,045)	17,716,974
Net increase / (decrease) in cash and cash equivalents		22,493,256	(77,563,758)
Cash and cash equivalents at beginning of the year		42,940,863	120,504,621
Cash and cash equivalents at end of the year		65,434,119	42,940,863
Cash and cash equivalents comprise of the following:			
Cash and bank balances	21	68,569,413	82,944,410
Running finance	8	(3,135,294)	(40,003,547)
		65,434,119	42,940,863

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore


Chief Executive


Director

Pak Kuwait Textiles Limited

Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital	Accumulated profit	Total
	-----Rupees-----		
Balance as at 30 June 2015	375,000,000	872,259,990	1,247,259,990
<i>Total comprehensive income for the year</i>			
(Loss) for the year ended 30 June 2016	-	(52,328,814)	(52,328,814)
Other comprehensive income for the year ended 30 June 2016	-	(29,592)	(29,592)
	-	(52,358,406)	(52,358,406)
Balance as at 30 June 2016	375,000,000	819,901,584	1,194,901,584
<i>Total comprehensive income for the year</i>			
Profit for the year ended 30 June 2017	-	15,630,982	15,630,982
Other comprehensive income for the year ended 30 June 2017	-	62,588	62,588
	-	15,693,570	15,693,570
<i>Transactions with owners of the Company:</i>			
Interim cash dividend at Rs. 7.5 per share for the year ended 30 June 2017	-	(28,125,000)	(28,125,000)
Balance as at 30 June 2017	375,000,000	807,470,154	1,182,470,154

www

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore


Chief Executive


Director

Pak Kuwait Textiles Limited
Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2017

1 Reporting Entity

Pak Kuwait Textiles Limited ("the Company") was incorporated in Pakistan in 1981 as an unquoted Public Limited Company. The principal activity of the Company is manufacturing and sale of cotton yarn and polyester blended yarn, 100% carded and combed yarn. The Company commenced its operations in September, 1981. The registered address of the Company is situated at 29-Shadman II, Lahore, Pakistan.

2 Basis of preparation

2.1 Separate financial statements

These financial statements are the separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. Consolidated financial statements of the Company are prepared separately.

The Company has the following major investment:

Name of the Company	2017	2016
	(Shareholding)	
<u>Subsidiary</u>		
Al Nasr Textiles Limited	96.84%	96.84%

2.2 Statement of compliance

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

During the year on 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 17 of 2017 dated 20 July 2017 has advised the Companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

www.pk

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

2.3.1 The Companies Act, 2017 applicable for financial year beginning on 1 July 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of land to bring it in line with the requirements of IAS 16 – Property, plant and equipment. This amendment is not likely to have an impact on the Company's financial statements.

2.3.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment 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 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 Company's financial statements.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.

mm-wf

- 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 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.
- 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 not likely to have an impact on Company's financial statements.

2.4 Basis of measurement

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

2.5 Functional and presentation currency

These unconsolidated 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.

2.6 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:

Wm. 109

2.6.1 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 12.

2.6.2 Intangibles

The Company reviews the rate of amortization 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 amortization charge and impairment.

2.6.3 Stores, spare parts, loose tools

The Company reviews the stores, spare parts and 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.

2.6.4 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.

2.6.5 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.

2.6.6 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.

2.6.7 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.

2.6.8 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.

WMS/PA

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.

2.6.9 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.

2.6.10 Contingencies

Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation can not be measured with sufficient reliability, it is disclosed as contingent liability.

3 Significant accounting policies

The significant accounting policies have been applied consistently to all periods presented in these financial statements.

3.1 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.

3.2 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity respectively.

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.

mm2A

3.3 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 2017, using the "Projected Unit Credit Method".

Remeasurement of net defined benefit liability, which comprise of actuarial gains and losses is recognized 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.

3.4 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

3.5 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.

3.6 Property, plant and equipment

Owned

Operating assets except freehold land is stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Depreciation is charged to income by applying the reducing balance method at rates indicated in note 12 to these unconsolidated 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 from the month asset is capitalized, while no depreciation is charged in the month of disposal.

Major repairs and maintenance, which enhance 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.

WMA

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.

3.7 Intangibles

Intangibles having finite useful life are stated at cost less accumulated amortisation and any identified impairment loss. These are amortized using the straight line basis at the rates given in note 13. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure on intangibles 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.

3.8 Investments

Investment in subsidiaries

Investments in subsidiaries are initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

3.9 Stores, spare parts and stock in trade

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

Stores and spares	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.

3.10 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.

MMX

3.11 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.

3.12 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 loses 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-recognition of the financial assets and financial liabilities is taken to profit and loss account.

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

3.13 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.

3.14 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.

MM/DA

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 amortisation, 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 through 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 amortisation, if no impairment loss had been charged.

3.15 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the unconsolidated 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.

VVVVVV

3.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sale 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.

3.17 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.

3.18 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Pak Rupees, which is the Company's functional currency, at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Exchange differences on conversion are charged to income.

3.19 Dividend to ordinary shareholders

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.

	2017 Rupees	2016 Rupees
4 Issued, subscribed and paid-up capital		
2,500,000 (2016: 2,500,000) ordinary shares of Rs. 10 each fully paid in cash	25,000,000	25,000,000
35,000,000 (2016: 35,000,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	<u>350,000,000</u>	<u>350,000,000</u>
	<u>375,000,000</u>	<u>375,000,000</u>

4.1 Directors hold 13,227,464 (2016: 13,223,591) ordinary shares of Rs. 10 each of the Company.

MUSA

5 Long term financing - secured

Banking Companies	Note	2017 Rupees	2016 Rupees	Mark-up Rate per annum (%)	Number of remaining installments	Salient features
Bank Al-Habib Limited						
(a) Term Finance-I		18,750,000	31,250,000	6 M KIBOR + 1.5%	The loan is repayable in 16 equal quarterly installments, including one year grace period, ending on 31 October 2018.	Company has obtained this loan for the import of two Cummins DG Set 2000 KVA Generators. Loan has sanctioned limit of Rs. 50 Million. This facility, along with facility (b), (c) and (e), is secured by way of joint pari passu charge of Rs. 164.2 million registered with SECP over fixed assets of the Company.
(b) Term Finance-II		-	9,247,246	6 M KIBOR + 2%	During the year, the loan has been fully repaid.	
(c) Term Finance-III		3,100,000	4,650,000	6 M KIBOR + 1.5%		Company obtained this loan in June 2014 for import of MK-7 Card machinery. Loan has sanctioned limit of Rs. 6.5 Million.
Bank Al-Falah Limited						
(d) Diminishing Musharaka		57,398,643	67,527,816	3 M KIBOR + 0.90% (Floor: 6% Cap: 15%)	The loan is repayable in 20 equal quarterly installments including one year grace period of one year ending on 14 July 2021.	Company has obtained this loan for the import of 2 Sets of Drawframes, 3 Sets of Automatic Cone Winder and 2 Sets of Crosol MK-7D Production Single Cotton Card. Loan has sanctioned limit of Rs. 82 Million. Loan is secured by way of first exclusive charge of Rs. 82 million on specific assets duly registered with SECP.
Bank Al Habib Islamic						
(e) Diminishing Musharaka		15,947,651	-	6 M KIBOR + 0.9%	The loan is repayable in 16 equal quarterly installments, including one year grace period, ending on 27 October 2022.	Company has obtained this loan for the import of 10,000 Novibra Spindles. Loan has sanctioned limit of Rs. 16.6 Million.

ARUN

Banking Companies	Note	2017 Rupees	2016 Rupees	Mark-up Rate per annum (%)	Number of remaining installments	Salient features
Faysal Bank Limited						
(f) Term Finance-I		1,914,201	3,445,561	3 M KIBOR + 1%	The loan is repayable in 18 equal quarterly installments, including six months grace period, ending on 30 September 2018.	Company has obtained this loan for the purpose of Balancing Modernization and Replacement (BMR). This loan alongwith loan (g) has sanctioned limit of Rs. 20 million. This loan along with loan (g), (h) and (i) is secured by way of first part passu charge over all present and future fixed assets of the Company amounting to Rs. 106 million.
(g) Term Finance-II		3,211,992	5,553,328	3 M KIBOR + 1%	The loan is repayable in 18 equal quarterly installments, including six months grace period, ending on 29 November 2018.	Company has obtained this loan for the purpose of Balancing Modernization and Replacement (BMR).
(h) Diminishing Musharaka-I		7,135,596	10,306,828	6 M KIBOR + 1%	The loan is repayable in 16 equal quarterly installments, including grace period of one year, ending on 30 September 2019.	Company has obtained this loan for Balancing Modernization and Replacement (BMR). Sanctioned limit for this loan along with loan (i) is Rs. 38.78 million.
(i) Diminishing Musharaka-II		13,049,582	19,574,372	6 M KIBOR + 1%	The loan is repayable in 16 equal quarterly installments, including grace period of one year, ending on 23 April 2019.	Company has obtained this loan for Balancing Modernization and Replacement (BMR).
MCB Bank Limited						
(j) Term Finance		10,500,000	16,500,000	6 M KIBOR + 1.5%	The loan is repayable in 16 equal quarterly installments, including grace period of one year, ending on 22 February 2019.	Company has obtained this loan for the import of textile machinery. Loan had sanctioned limit of Rs. 24 Million. Loan is secured by way of first joint part passu charge over all present and future fixed assets of the Company amounting to Rs. 41.33 million.
		<u>131,007,665</u>	<u>167,855,151</u>			
	Less: Current maturity of long term financing	<u>(48,519,244)</u>	<u>(52,795,319)</u>			
		<u>82,488,421</u>	<u>115,059,832</u>			

62-233

	<i>Note</i>	2017 Rupees	2016 Rupees
6 Deferred liabilities			
Staff retirement benefits	6.1.1	38,296,229	39,355,856
Deferred taxation	6.2	78,215,528	70,995,612
		<u>116,511,757</u>	<u>110,351,468</u>

6.1 Staff retirement benefits

The latest actuarial valuation of the Company's defined benefit plan, was conducted at 30 June 2017 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

	<i>Note</i>	2017 Rupees	2016 Rupees
6.1.1 The amounts recognized in the balance sheet are as follows:			
Present value of defined benefit obligation	6.1.4	38,296,229	39,355,856
Liability at end of the year		<u>38,296,229</u>	<u>39,355,856</u>

6.1.2 The amounts recognized in the unconsolidated profit and loss account against defined benefit plan are as follows:

	<i>Note</i>	2017 Rupees	2016 Rupees
Current service cost		17,477,820	16,739,793
Interest cost		2,107,944	2,754,641
Charge to profit and loss		<u>19,585,764</u>	<u>19,494,434</u>

6.1.3 Included in other comprehensive income:

Experience adjustment on obligation		(83,855)	38,937
(Credit)/charge to other comprehensive income		<u>(83,855)</u>	<u>38,937</u>

6.1.4 Movement in the liability recognized in the unconsolidated balance sheet is as follows:

Liability at beginning of the year		39,355,856	36,682,968
Charge to profit and loss	6.1.2	19,585,764	19,494,434
(Credit)/charge to other comprehensive income	6.1.3	(83,855)	38,937
Benefits paid during the year		(20,561,536)	(16,860,483)
Liability at end of the year		<u>38,296,229</u>	<u>39,355,856</u>

WAWWA

	2017 Rupees	2016 Rupees
Movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of the year	39,355,856	36,682,968
Current service cost	17,477,820	16,739,793
Interest cost	2,107,944	2,754,641
Benefits paid	(20,561,536)	(16,860,483)
Remeasurement (gain)/loss on obligation	(83,855)	38,937
Present value of defined benefit obligation at end of the year	38,296,229	39,355,856

6.1.5 Actuarial assumptions

Valuation discount rate	7.25%	9.75%
Expected rate of increase in salaries	7.75%	6.25%
Average expected remaining working lifetime of employees	7 years	7 years

6.1.6 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
		-----Rupees-----	
Discount rate	1%	(2,570,280)	2,976,717
Salary growth rate	1%	3,096,396	(2,726,178)

6.1.7 The average duration of the defined benefit obligation is 7 years. The Company expects to charge Rs. 19.86 million to unconsolidated profit and loss account on account of defined benefit plan in 2018.

	2017 Rupees	2016 Rupees
6.2 Deferred tax liability		
<u>Taxable temporary difference</u>		
Accelerated tax depreciation	88,200,466	85,944,609
<u>Deductible temporary differences</u>		
Staff retirement benefits	(9,691,423)	(9,445,406)
Provision for doubtful debts	(293,515)	(226,346)
Unused tax losses	-	(5,277,245)
	78,215,528	70,995,612

www

	Note	2017 Rupees	2016 Rupees
7			
Current portion of long term liabilities			
Long term financing - secured	5	48,519,244	52,795,319
		<u>48,519,244</u>	<u>52,795,319</u>
8			
Short term borrowings - secured			
<i>From banking companies:</i>			
Short term cash finance		176,117,392	345,179,106
Short term running finance		3,135,294	40,003,547
	8.1	179,252,686	385,182,653
Payable against inland bills discounted		23,611,950	8,964,795
		<u>202,864,636</u>	<u>394,147,448</u>

8.1 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. 1,155 million (2016: Rs. 1,155 million), pledge of raw material, lien on import documents and personal guarantees of directors. These facilities are expiring on various dates latest by 30 June 2018.

Mark-up on local currency facilities is charged at the rates ranging from 6.47% to 7.27% (2016: 6.60% to 8.60%) per annum payable quarterly.

The aggregate available short term funded facilities amount to Rs. 2,465 million (2016: Rs. 2,465 million).

	Note	2017 Rupees	2016 Rupees
9			
Trade and other payables			
Trade creditors		35,096,081	16,685,877
Refundable security	9.1	6,054,233	21,245,537
Accrued liabilities	9.2	66,116,665	75,640,672
Advances from customers		14,717,773	22,198,613
Withholding income tax payable		599,462	975,520
Withholding sales tax payable		363,217	1,020,714
Payables to Workers' Profit Participation Fund	9.3	2,920,343	-
Payables to Workers' Welfare Fund	9.4	1,283,012	-
Payable to commission agents		7,827,770	8,236,696
Payable to clearing agents		484,061	199,575
Other payables		9,572,877	4,926,265
		<u>145,035,494</u>	<u>151,129,469</u>

WMA

9.1 These interest free security deposits are held by the Company against packing material contractors, loading/unloading contractors and waste vendors. These are repayable on demand subject to clearance of dues.

9.2 This includes Rs. 25.759 million booked on account of Gas Infrastructure Development Cess (GIDC) for the period from August 2014 to June 2017. 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. 12.648 million for the period from June 2015 to June 2017 has been imposed on the Company, which has not been recorded in these unconsolidated financial statement based on the opinion of legal advisor. The management is hopeful that the Company will not be required to pay the default surcharge.

	Note	2017 Rupees	2016 Rupees
9.3 Workers' Profit Participation Fund			
At the beginning of the year		-	2,485,592
Interest for the year	28	-	149,136
Allocation for the year	26	<u>2,920,343</u>	-
		<u>2,920,343</u>	<u>2,634,728</u>
Paid during the year		-	(2,634,728)
At end of the year		<u><u>2,920,343</u></u>	<u><u>-</u></u>
9.4 Workers' Welfare Fund			
At the beginning of the year		-	-
Interest for the year		-	-
Allocation for the year	26	<u>1,283,012</u>	-
At end of the year		<u><u>1,283,012</u></u>	<u><u>-</u></u>
10 Accrued mark-up			
Long term financing - secured		2,807,497	3,045,569
Short term borrowings - secured		<u>4,205,120</u>	<u>6,765,191</u>
		<u><u>7,012,617</u></u>	<u><u>9,810,760</u></u>

MM/08/09

11 Contingencies and commitments

11.1 Contingencies

11.1.1 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, 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. 25.26 million for remaining 50% to them. The petition is pending for hearing and stay is continuing. No provision has been made in these unconsolidated financial statements as the management is confident of favourable outcome of the matter.

11.1.2 The Company has received a demand notice of Rs. 2.607 million on 13 June 2013 from Additional Collector Customs (ACC) regarding alleged duties and taxes on DTRE sales. Appeal against the aforesaid order was filed in Appellate Tribunal Customs, Lahore Bench which is pending adjudication. Management believes that a favorable decision shall be passed by the Tribunal. The Company's legal counsel concur with management's representation.

11.1.3 In October 2014, liability for tax year 2012 was revised to Rs. 61.37 million as against Rs. 39.29 million conceded in the return as a consequence of rectification u/s 221 of the Income Tax Ordinance, 2001. The Company filed an appeal before Commissioner Inland Revenue (CIR). The CIR passed an order in May 2016, of which appeal effect was given in September 2016 thereby revising the tax liability to Rs. 58.91 million. In June 2016, the Company filed second appeal before Appellate Tribunal Inland Revenue which is pending adjudication. Management believes that a favorable decision shall be passed by the Tribunal. The Company's legal counsel concur with management's representation.

11.2 Commitments

11.2.1 Aggregate amount of bank guarantees issued by banks outstanding as at balance sheet date amounted to Rs. 64.437 million (2016: Rs. 61.437 million).

11.2.2 In respect of:

a) letters of credit for:

- capital expenditure
- stores and spares

	2017 Rupees	2016 Rupees
	11,387,075	-
	1,525,017	1,331,128
	<u>12,912,092</u>	<u>1,331,128</u>

MM/DA

12 Property, plant and equipment

	2017									
	Cost			Accumulated Depreciation			Net book value as at 30 June 2017			
	As at 01 July 2016	Additions 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
Rupees			Rupees			%	Rupees			
Freehold land	1,609,826	-	-	1,609,826	-	-	-	-	-	1,609,826
Buildings on freehold land	212,697,001	-	-	212,697,001	5	103,667,600	5,451,203	-	109,118,803	103,578,198
Plant and machinery	1,374,486,899	19,880,156	-	1,394,367,055	10	838,160,052	54,840,013	-	893,000,065	501,366,990
Electric installation	95,888,220	312,088	-	96,200,308	10	68,112,984	2,792,758	-	70,905,742	25,294,566
Tools and equipment	6,746,240	-	-	6,746,240	10	6,036,394	71,553	-	6,107,947	638,293
Furniture and fittings	5,247,047	9,750	-	5,256,797	10	3,380,847	187,572	-	3,568,419	1,688,378
Office equipment	18,015,625	226,094	-	18,241,719	10	9,976,232	817,615	-	10,793,847	7,447,872
Vehicles	28,898,358	667,000	(4,523,516)	25,041,842	20	18,103,615	2,173,342	(3,292,334)	16,984,623	8,057,219
2017	1,743,589,216	21,095,088	(4,523,516)	1,760,160,788		1,047,437,724	66,334,056	(3,292,334)	1,110,479,446	649,681,342

Owned

11/3/2017

2016

	Cost				Rate	Accumulated Depreciation				Net book value as at 30 June 2016
	As at 01 July 2015	Additions during the year	Transfers during the year	Disposals during the year		As at 30 June 2016	Charge for the year	Transfers during the year	Disposals during the year	

Owned

	As at 01 July 2015	Additions during the year	Transfers during the year	Disposals during the year	As at 30 June 2016	Rate	As at 01 July 2015	Charge for the year	Transfers during the year	Disposals during the year	As at 30 June 2016	Net book value as at 30 June 2016
Freehold land	1,609,826	-	-	-	1,609,826	-	97,929,211	5,738,389	-	-	103,667,600	1,609,826
Buildings on freehold land	212,697,001	-	-	-	212,697,001	5	784,872,255	58,871,335	-	(5,583,538)	838,160,052	109,029,401
Plant and machinery	1,299,765,147	81,809,709	-	(7,087,957)	1,374,486,899	10	65,056,581	3,056,403	-	-	68,112,984	536,326,847
Electric installation	95,517,403	370,817	-	-	95,888,220	10	5,956,890	79,504	-	-	6,036,394	27,775,236
Tools and equipment	6,746,240	-	-	-	6,746,240	10	3,173,694	207,153	-	-	3,380,847	709,846
Furniture and fittings	5,234,147	12,900	-	-	5,247,047	10	9,093,017	883,215	-	-	9,976,232	1,866,200
Office equipment	17,806,475	209,150	-	-	18,015,625	10	14,675,104	2,638,004	790,507	-	18,103,615	8,039,393
Vehicles	27,259,358	-	1,639,000	-	28,898,358	20	980,756,752	71,474,003	790,507	(5,583,538)	1,047,437,724	696,151,492
	1,666,635,597	82,402,576	1,639,000	(7,087,957)	1,743,589,216		729,900	60,607	(790,507)	-	-	-
	1,639,000	-	(1,639,000)	-	-	20	729,900	60,607	(790,507)	-	-	-
	1,639,000	-	(1,639,000)	-	-		729,900	60,607	(790,507)	-	-	-

Leased

2016	1,668,274,597	82,402,576	-	(7,087,957)	1,743,589,216		981,486,652	71,534,610	-	(5,583,538)	1,047,437,724	696,151,492
------	---------------	------------	---	-------------	---------------	--	-------------	------------	---	-------------	---------------	-------------

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

	2017	2016	
	Rupees	Rupees	
Cost of sales	65,339,045	70,462,500	23
Administrative expenses	995,011	1,072,110	24
	66,334,056	71,534,610	

Sum

12.2 Disposal of property, plant and equipment

Particular of assets	Particulars of buyers	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss)	Mode of disposal
Motor Car Suzuki Alto-LEB-12-8708	Jawad Saeed	885,010	552,114	332,896	352,941	20,045	Negotiation
Motor Car Suzuki Pick Up LES-10-2647	Muhammad Ashraf Khan	475,506	358,513	116,993	294,958	177,965	Negotiation
Motor Car LEC-10-5641	Abdul Rehman	1,099,000	875,486	223,514	252,101	28,587	Negotiation
Motor Car LE-10-6542	Imran Hussain	640,000	502,986	137,014	365,546	228,532	Negotiation
Motor Car LE-12-5549	Imran Hussain	1,424,000	1,003,235	420,765	672,269	251,504	Negotiation
2017		4,523,516	3,292,334	1,231,182	1,937,815	706,633	
2016		7,087,957	5,583,538	1,504,419	405,128	(1,099,291)	

13 Intangibles

Computer Software:

Cost
Less: Accumulated amortisation

Amortization rate

13.1 Accumulated amortisation

At beginning of the year
Amortisation for the year
At end of the year

	2017 Rupees	2016 Rupees
	8,964,909	8,964,909
	(6,549,932)	(4,756,950)
	<u>2,414,977</u>	<u>4,207,959</u>
	20%	20%
	4,756,950	2,963,968
	<u>1,792,982</u>	<u>1,792,982</u>
	<u>6,549,932</u>	<u>4,756,950</u>

13.2 The amortisation charge for the year has been allocated to administrative expenses as referred to in note 24.

14 Long term deposits

These mainly include security deposits with Water and Power Development Authority and Sui Northern Gas Pipelines Limited.

15 Long term investments

Subsidiary Company, at cost

Al Nasr Textiles Limited - unquoted
33,119,000 (2016: 33,119,000) ordinary shares of Rs. 10 each
Equity held 96.84% (2016: 96.84%)

	2017 Rupees	2016 Rupees
	<u>331,190,000</u>	<u>331,190,000</u>

331,190,000

		2017	2016
		Rupees	Rupees
16	Stores, spare parts and loose tools		
	Stores	18,636,970	16,852,244
	Spare parts and loose tools	7,904,927	9,267,854
		<u>26,541,897</u>	<u>26,120,098</u>
17	Stock in trade		
	Raw material	178,305,683	427,061,577
	Packing material	11,956,801	8,596,703
	Work in process	22,208,716	25,570,034
	Finished goods	171,805,228	158,243,521
		<u>384,276,428</u>	<u>619,471,835</u>
17.1	Raw materials amounting to Rs. 176.7117 million (2016: Rs. 396 million) are pledged with lenders as security against short term borrowings as mentioned in note 8.1.		
17.2	This includes net realizable value adjustment of Rs. 1.65 million (2016: Nil).		
18	Short term investments		
	<u>Held for trading - quoted investments</u>		
	Fair value as at 1 July	10,348,560	10,312,970
	Shares purchased during the year	-	-
	Un realized gain on re-measurement at fair value		35,590
	Shares sold during the year	(10,348,560)	-
	Fair value as at 30 June	-	10,348,560
		<u>-</u>	<u>10,348,560</u>
19	Trade debts - considered good		
	Local debtors - <i>unsecured, considered good</i>	176,424,189	113,947,837
	Considered doubtful	1,157,301	904,169
		<u>177,581,490</u>	<u>114,852,006</u>
	Provision for doubtful debts	(1,157,301)	(904,169)
		<u>176,424,189</u>	<u>113,947,837</u>
20	Advances, deposits and prepayments		
	Advances to employees - <i>unsecured considered good</i>	4,638,260	3,656,974
	Advances to suppliers - <i>unsecured considered good</i>		
	- local	98,351	9,212,693
	- foreign	1,581,565	3,750,747
	Security deposits	666,829	515,829
	Advance against letters of credit	113,446	337,157
	Margin on bank guarantees	27,412,490	24,412,490
	Prepayments	2,318,342	3,485,050
	Sales tax receivable	62,336,430	38,094,537
		<u>99,165,713</u>	<u>83,465,477</u>
21	Cash and bank balances		
	Cash in hand	172,847	66,608
	Cash at bank:		
	- Current accounts	68,368,791	82,651,375
	- Saving accounts	27,775	226,427
		<u>68,569,413</u>	<u>82,944,410</u>

21.1 These carry mark-up ranging from 3.75% to 4.75% (2016: 3% to 4%) per annum.

MM

	Note	2017 Rupees	2016 Rupees
22 Sales - net			
<u>Local</u>			
Cotton polyester yarn		2,065,694,651	1,997,176,883
Cotton yarn		1,095,432,456	1,052,592,151
Raw material		87,444,220	-
		<u>3,248,571,327</u>	<u>3,049,769,034</u>
Waste sales		96,126,182	75,901,135
<u>Export</u>			
Cotton and polyester yarn		-	4,760,638
		<u>3,344,697,509</u>	<u>3,130,430,807</u>
Less: Sales tax		(1,804,265)	(91,226,226)
		<u><u>3,342,893,244</u></u>	<u><u>3,039,204,581</u></u>
23 Cost of sales			
Raw material consumed - Yarn		2,156,255,245	2,097,201,174
Salaries, wages and other benefits		282,581,637	287,031,141
Power and fuel		382,627,752	347,726,391
Stores and spares consumed		59,230,244	59,736,941
Packing material consumed		57,802,309	60,651,982
Repairs and maintenance		22,049,489	25,765,345
Vehicles running and maintenance		2,420,934	2,381,923
Insurance		7,772,467	8,555,056
Staff retirement benefits		19,073,048	18,985,268
Depreciation	12.1	65,339,045	70,462,500
Other expenses		7,727,192	8,572,294
		<u>3,062,879,362</u>	<u>2,987,070,015</u>
Work in process			
At beginning of the year		25,570,034	28,162,080
At end of the year		(22,208,716)	(25,570,034)
		<u>3,361,318</u>	<u>2,592,046</u>
Cost of goods manufactured		<u>3,066,240,680</u>	<u>2,989,662,061</u>
<u>Finished goods</u>			
At beginning of the year		158,243,521	72,094,675
At end of the year		(171,805,228)	(158,243,521)
		<u>(13,561,707)</u>	<u>(86,148,846)</u>
Cost of sales - purchased products		79,540,677	-
		<u><u>3,132,219,650</u></u>	<u><u>2,903,513,215</u></u>

UAG/MA

	<i>Note</i>	2017 Rupees	2016 Rupees
24 Administrative expenses			
Salaries and other benefits		18,261,924	17,667,411
Traveling expenses		699,291	698,127
Telephone, postage and telegrams		1,912,310	1,655,390
Rent, rates and taxes		1,672,925	1,660,140
Power and fuel		907,780	1,390,843
Printing and stationery		440,619	375,934
Entertainment		738,423	711,550
Insurance		684,888	825,552
Repairs and maintenance		2,649,583	1,563,970
Legal and professional charges		2,232,980	1,241,379
Auditors' remuneration	24.1	325,000	325,000
Vehicle running and maintenance		2,419,695	2,382,607
Charity and donations		-	75,000
Subscription fees		731,787	317,710
Staff retirement benefits		512,716	509,166
Provision for doubtful debts	19	253,132	904,169
Depreciation	12.1	995,011	1,072,110
Amortisation of intangibles	13.2	1,792,982	1,792,982
Other expenses		1,654,755	2,298,011
		<u>38,885,801</u>	<u>37,467,051</u>
24.1 Auditors' remuneration			
Audit fee		275,000	275,000
Out of pocket expenses		50,000	50,000
		<u>325,000</u>	<u>325,000</u>
25 Distribution cost			
<i>Freight and other expenses - export</i>			
Ocean freight		-	145,383
Others		-	488,197
		-	633,580
Freight and other expenses - local		20,943,321	16,481,723
Commission on yarn sales - local		27,186,615	26,047,389
Salaries and other benefits		4,814,737	5,007,031
Loading and other expenses		6,573,507	6,167,949
		<u>59,518,180</u>	<u>54,337,672</u>

UNMVA

	Note	2017 Rupees	2016 Rupees
26 Other expenses			
Workers' Profit Participation Fund	9.3	2,920,343	-
Workers' Welfare Fund	9.4	1,283,012	207,455
Loss on disposal of property, plant and equipment		-	1,099,291
		<u>4,203,355</u>	<u>1,306,746</u>
27 Other income			
<u>From financial assets</u>			
Un-realized gain on re-measurement of investments at fair value through profit and loss account		-	35,590
Realized gain on sale of investments at fair value through profit and loss account		963,551	-
Profit on bank deposits		5,797	11,691
Foreign exchange gain		-	29,283
Dividend income		7,875	571,470
		977,223	648,034
<u>From non-financial assets</u>			
Income on sale of scrap		263,925	228,824
Gain on disposal of property, plant and equipment		706,633	-
Quality claim		1,215,427	-
Insurance claim		-	214,850
		2,185,985	443,674
		<u>3,163,208</u>	<u>1,091,708</u>
28 Finance cost			
<i>Interest and mark-up on:</i>			
- Long term financing - secured		11,181,234	15,068,926
- Short term borrowings - secured		30,038,615	29,616,483
- Liabilities against assets subject to finance lease		-	7,810
Commission on letter of credit		14,953,597	11,086,327
Commission on bank guarantees		449,292	298,167
Interest on Workers' Profit Participation Fund	9.3	-	149,136
Bank charges		403,221	391,039
		<u>57,025,959</u>	<u>56,617,888</u>

WPK208

	2017 Rupees	2016 Rupees
29 Taxation		
Current		
- For the year	31,409,708	22,282,508
- Prior years	(35,832)	1,058,756
	<u>31,373,876</u>	<u>23,341,264</u>
Deferred tax	7,198,649	16,041,267
	<u>38,572,525</u>	<u>39,382,531</u>

29.1 Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit

Profit / (Loss) before taxation	<u>54,203,507</u>	<u>(12,946,283)</u>
Applicable tax rate as per Income Tax Ordinance, 2001	31%	32%
Tax on accounting profit / (loss)	16,803,087	(4,142,811)
- income under Final Tax Regime	-	119,040
- change in proportion of local and export sales	4,029,001	20,848,296
- prior year adjustments in current tax	(35,832)	1,058,756
- tax credits	(2,019,224)	(8,180,971)
- effect of minimum tax over tax under Normal Tax Regime	19,487,006	30,344,439
- others	308,487	(664,218)
	<u>21,769,438</u>	<u>43,525,342</u>
	<u>38,572,525</u>	<u>39,382,531</u>

30 Transactions with related parties

The related parties comprise of subsidiary and associated companies, directors and key management personnel. Transactions and balances with related parties are as follows:

Related parties	Nature of transactions	Note	2017 Rupees	2016 Rupees
UnigoHar Homes (Private) Limited - Associated undertaking	Rent		1,584,000	1,584,000
Al Nasr Textiles Limited - Subsidiary Company	Reimbursements of expenses		2,487,499	1,940,829
	Purchase of Raw Material		-	57,828,150
Directors	Dividend		28,125,000	-
Key management personnel	Remuneration	32	23,298,727	23,466,552

Handwritten signature

31.1.3(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:

	2017 Rupees	2016 Rupees
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	118,174,083	81,449,529
Past due 31-180 days	35,773,317	27,059,323
Past due 181-365 days	22,475,620	5,152,509
Past due 366 & above	1,158,470	1,190,645
	<u>177,581,490</u>	<u>114,852,006</u>

As at year end, trade debts do not include any balance receivable from related parties (2016: Nil).

31.2 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.

31.2.1 Exposure to liquidity risk

31.2.1(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.

	2017				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
----- (Rupees) -----					
<i>Non-derivative financial liabilities</i>					
Long term financing - secured	131,007,665	146,453,728	55,154,330	89,676,560	1,622,838
Trade and other payables	125,151,687	125,151,687	125,151,687	-	-
Accrued mark-up	7,012,617	7,012,617	7,012,617	-	-
Short term borrowings - secured	202,864,636	202,864,636	202,864,636	-	-
	<u>466,036,605</u>	<u>481,482,668</u>	<u>390,183,270</u>	<u>89,676,560</u>	<u>1,622,838</u>

	2016				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
----- (Rupees) -----					
<i>Non-derivative financial liabilities</i>					
Long term financing - secured	167,855,151	194,543,691	64,959,110	129,584,581	-
Trade and other payables	126,934,622	126,934,622	126,934,622	-	-
Accrued mark-up	9,810,760	9,810,760	9,810,760	-	-
Short term borrowings - secured	394,147,448	394,147,448	394,147,448	-	-
	<u>698,747,981</u>	<u>725,436,521</u>	<u>595,851,940</u>	<u>129,584,581</u>	<u>-</u>

31.3 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. As at 30 June 2017 the Company is not exposed to market risk.

MMMA

31 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.

31.1 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.

31.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2017 Rupees	2016 Rupees
Trade debts - considered good	176,424,189	113,947,837
Deposits and other receivables	14,488,927	10,440,367
Margin account with a banking company	27,412,490	24,412,490
Bank balances	68,396,566	82,877,802
	<u>286,722,172</u>	<u>231,678,496</u>

31.1.2 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:

	2017 Rupees	2016 Rupees
Customers	176,424,189	113,947,837
Banking companies and financial institutions	95,809,056	107,290,292
Others	14,488,927	10,440,367
	<u>286,722,172</u>	<u>231,678,496</u>

31.1.3 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.

31.1.3(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 Agency	2017	2016
	Short term	Long term		Rupees	Rupees
<u>Bank balances</u>					
National Bank of Pakistan	A1+	AAA	PACRA	1,844,313	1,947,170
Faysal Bank Limited	A1+	AA+	PACRA	27,501,246	24,620,455
Bank Alfalah Limited	A1+	AA+	PACRA	3,037,877	23,129
Habib Bank Limited	A-1+	AAA	JCR-VIS	38,359,786	19,822,637
Bank Alfalah Limited Islamic Banking	A1+	AA	PACRA	-	228,842
MCB Bank Limited	A1+	AAA	PACRA	2,808,568	954,570
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	2,883,585	4,963,643
Bank Al Habib Limited	A1+	AA+	PACRA	15,287,750	35,840,215
NIB Bank Limited	A1+	AA-	PACRA	26,117	26,117
Meezan Bank Limited	A-1+	AA	JCR-VIS	3,927,297	18,801,190
Askari Bank Limited	A1+	AA+	PACRA	102,557	32,328
The Bank of Punjab	A1+	AA	PACRA	29,961	29,996
				<u>95,809,056</u>	<u>107,290,292</u>

WMA

31.3.1 Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which advances, sales and purchases and bank balances are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currency in which these transactions are primarily denominated is US dollars.

31.3.1(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.

	2017 USD	2016 USD
Foreign creditors	1,558	11,665
Net exposure	<u>1,558</u>	<u>11,665</u>

31.3.1(b) Exchange rates applied during the year

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees
USD to PKR - Selling rate	104.78	103.10	104.95	104.6

31.3.1(c) 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.

	2017 Rupees	2016 Rupees
<u>Effect on profit or loss</u>		
USD	<u>16,351</u>	<u>122,016</u>

The strengthening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss profits.

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

31.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

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

	Carrying amount	
	2017 Rupees	2016 Rupees
<u>Variable rate instruments</u>		
<i>Financial liabilities</i>		
Long term financing - secured	131,007,665	167,855,151
Short term borrowings - secured	202,864,636	394,147,448
	333,872,301	562,002,599
<i>Financial assets</i>		
Saving bank accounts	(27,775)	(226,427)
	<u>333,844,526</u>	<u>561,776,172</u>

Handwritten signature

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 (decreased) / increased 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 and loss 100 bps	
	Increase Rupees	Decrease Rupees
As at 30 June 2017		
Cash flow sensitivity-Variable rate financial liabilities	(3,338,445)	3,338,445
As at 30 June 2016		
Cash flow sensitivity-Variable rate financial liabilities	(5,617,762)	5,617,762

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

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company's significant borrowings are based on variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

31.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments trading in

31.3.3(a) Investments exposed to price risk

At the balance sheet date, the Company's investment in quoted equity securities is as follows:

	2017	2016
	(Rupees)	
Held for trading - quoted investment	-	10,348,560

31.3.3(b) Sensitivity analysis

A 10% increase / (decrease) share prices at year end would have increased / (decreased) the Company's fair value gain on investment as follows:

	Equity	
	2017	2016
	(Rupees)	
Held for trading - quoted investment		
Effect of increase	-	1,034,856
Effect of decrease	-	(1,034,856)

31.3.3(c) Price risk management

The Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies. The carrying value of investments subject to equity price risk are based on quoted market prices as at reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from reported market value. Fluctuations in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

WMM

31.4 Financial instruments-fair values

31.4.1 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			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	----- Rupees -----					
On-Balance sheet financial instruments						
30 June 2017						
Financial assets measured at fair value						
<i>Financial assets not measured at fair value</i>						
Cash and bank balances	68,569,413	-	68,569,413	-	-	-
Deposits and other receivables	14,488,927	-	14,488,927	-	-	-
Margin account with a banking company	27,412,490	-	27,412,490	-	-	-
Trade debts - unsecured, considered good	176,424,189	-	176,424,189	-	-	-
	286,895,019	-	286,895,019	-	-	-
Financial liabilities measured at fair value						
<i>Financial liabilities not measured at fair value</i>						
Long term financing - secured	-	131,007,665	131,007,665	-	-	-
Trade and other payables	-	125,151,687	125,151,687	-	-	-
Short term borrowings	-	202,864,636	202,864,636	-	-	-
Accrued mark-up	-	7,012,617	7,012,617	-	-	-
	-	466,036,605	466,036,605	-	-	-

31.4.2

425/2017

31.5 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.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

32 Remuneration of key management personnel

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

	Chief Executive			
	2017	2016		
	-----Rupees-----			
Managerial remuneration	1,680,000	1,680,000		
Leave encashment	-	300,000		
Utilities	774,062	720,721		
Medical expenses	329,291	512,898		
	<u>2,783,353</u>	<u>3,213,619</u>		
Number of persons	<u>1</u>	<u>1</u>		
	Executive Director		Executives	
	2017	2016	2017	2016
	-----Rupees-----			
Managerial remuneration	2,380,000	2,856,000	13,460,533	13,356,000
Retirement benefits	187,000	187,000	897,233	874,500
Leave encashment	340,000	170,000	816,935	572,934
Utilities	429,618	527,479	961,467	954,000
Medical expenses	562,828	254,347	479,760	500,673
	<u>3,899,446</u>	<u>3,994,826</u>	<u>16,615,928</u>	<u>16,258,107</u>
Number of persons	<u>1</u>	<u>1</u>	<u>12</u>	<u>12</u>

The Chief Executive, one working director and certain executives are provided with free use of Company's maintained cars and mobile phones.

WMP

32.1 The Company has employed following number of persons:

	2017	2016
	(Number of persons)	
- Total number of employees as at 30 June	<u>1,221</u>	<u>1,329</u>
- Average number of employees during the year	<u>1,273</u>	<u>1,335</u>

33 Plant capacity and actual production

	Unit	2017	2016
<u>Spinning</u>			
Number of spindles installed	No.	42,240	42,240
Plant capacity on the basis of utilization converted into 20s count	Kgs	17,046,180	17,046,180
Actual production converted into 20s count	Kgs	17,877,671	18,761,770

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.

34 Date of authorization for issue

These unconsolidated financial statements were authorized for issue on 09 OCT 2017 by the Directors of the Company.

mm

Lahore


Chief Executive


Director

Name of Company

PAK KUWAIT TEXTILES LTD.

Pattern of Holdings of the Shares held by the Shareholders of

PAK KUWAIT TEXTILES LTD.

as at 30 th June , 2017

No. of shareholders	Shareholding		Total Shares held
	From	To	
7	1,000,001	2,000,000	12,027,962
2	2,000,001	3,000,000	4,500,002
2	3,000,001	4,000,000	6,632,258
2	4,000,001	5,000,000	8,476,456
1	5,000,001	6,000,000	5,863,322
14	TOTAL :-		37,500,000

Categories of Shareholders	No of Shareholders	Shares Held	Percentage
Individuals	14	37,500,000	100 %
TOTAL :-	14	37,500,000	100 %

Pak Kuwait Textiles Limited
 Meeting Schedule for the Year ended 30th June, 2017

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