

Pak Kuwait Textiles Limited

Unconsolidated Financial Statements for the period ended
30th June 2018

PAK KUWAIT TEXTILES LIMITED

Directors Report for the Year Ended 30th June, 2018



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, 2018.

FINANCIAL HIGHLIGHTS

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

| | 30.06.2018 (Rs.) | 30.06.2017 (Rs.) |
|---|----------------------------|----------------------------|
| Sales (Net) | 3,871,952,645 | 3,342,893,244 |
| Gross Profit | 315,850,614 | 196,108,859 |
| Profit before taxation | 136,361,359 | 54,203,507 |
| Taxation | (37,911,302) | (38,572,525) |
| Profit after taxation | 98,450,057 | 15,630,982 |
| Total Comprehensive Income for the year | 98,679,885 | 15,693,570 |
| Un-appropriated Profit brought forward | 807,470,154 | 819,901,584 |
| Dividend | (46,875,000) | (28,125,000) |
| Un-appropriated Profit carried forward | 859,275,039 | 807,470,154 |
| Earnings per Share | 2.63 | 0.42 |

COMPANY PERFORMANCE

During the year, the gross profit margin increased by 61% as compared to F/Y 2018. This increase reflects the tireless efforts by the management during a slump in the textile industry. Procuring cotton on favorable rates led to this increase in gross margins Your company earned a profit after tax of Rs. 98,450,057 as compared to last year's profit after tax of Rs. 15,630,982 (F/Y 2017) which is a substantial 6 times year on year increase.

Pak Kuwiat Textiles Limited

Head Office 29-Shadman-II, Lahore Pakistan. Phone: +92 42-111-888-600 Fax: +92 42-35407032

E-mail: yam@pakkuwait.com Website: www.pakkuwait.com

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

PAK KUWAIT TEXTILES LIMITED

Directors Report for the Year Ended 30th June, 2018



PAK KUWAIT

BALANCING MODERNIZATION & REPLACEMENT (BMR)

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

- COMPLETE SIMPLEX FRAME TYPE 1436B x 2

FUTURE PROSPECTS

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

PATTERN OF SHAREHOLDING

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

AUDITORS

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

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.

Lahore
9th October 2018

For and on behalf of the Board of Directors

(JAVED NASRULLAH)
Director

(TARIQ MEHMOOD)
Chief Executive

Pak Kuwait Textiles Limited

Head office: 29 Shadman-II, Lahore, Pakistan. Phone: +92 42-111-888-600 Fax: +92 42 35407032

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

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



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

INDEPENDENT AUDITOR'S REPORT

To the members of Pak Kuwait Textiles Limited

Report on the audit of the Financial Statements

We have audited the annexed financial statements of **Pak Kuwait Textiles Limited** ("the Company"), which comprise the unconsolidated statement of financial position as at 30 June 2018, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the unconsolidated profit, the unconsolidated comprehensive income, the unconsolidated changes in equity and its unconsolidated cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

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KPMG Taseer Hadi & Co.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

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

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

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

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KPMG Taseer Hadi & Co.

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Lahore

Date: 28 October 2018

KPMG Taseer Hadi & Co.
Chartered Accountants

Pak Kuwait Textiles Limited

Unconsolidated Statement of Financial Position

As at 30 June 2018

| | Note | 2018 Rupees | 2017 Rupees |
|--|------|----------------------|----------------|
| EQUITY AND LIABILITIES | | | |
| <u>Share capital and reserve</u> | | | |
| Authorized share capital | | | |
| 40,000,000 (2017: 40,000,000) ordinary shares | | | |
| of Rs. 10 each | | 400,000,000 | 400,000,000 |
| Issued, subscribed and paid-up capital | 4 | 375,000,000 | 375,000,000 |
| Accumulated profit | | 859,275,039 | 807,470,154 |
| | | 1,234,275,039 | 1,182,470,154 |
| <u>Non-current liabilities</u> | | | |
| Long term financing - secured | 5 | 42,343,708 | 82,488,421 |
| Deferred liabilities | 6 | 111,190,254 | 116,511,757 |
| | | 153,533,962 | 199,000,178 |
| <u>Current liabilities</u> | | | |
| Current portion of long term financing-secured | 7 | 40,144,708 | 48,519,244 |
| Short term borrowings - secured | 8 | 447,713,896 | 202,864,636 |
| Trade and other payables | 9 | 232,105,476 | 145,035,494 |
| Accrued mark-up | 10 | 10,795,826 | 7,012,617 |
| | | 730,759,906 | 403,431,991 |
| | | 2,118,568,907 | 1,784,902,323 |

| | Note | 2018 Rupees | 2017 Rupees |
|-------------------------------------|------|----------------------|----------------|
| ASSETS | | | |
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | 12 | 602,375,249 | 649,681,342 |
| Intangibles | 13 | 621,995 | 2,414,977 |
| Long term deposits | 14 | 5,792,530 | 5,792,530 |
| Long term investment | 15 | 331,190,000 | 331,190,000 |
| | | 939,979,774 | 989,078,849 |
| <u>Current assets</u> | | | |
| Stores, spare parts and loose tools | 16 | 26,004,115 | 26,541,897 |
| Stock-in-trade | 17 | 699,476,376 | 384,276,428 |
| Trade debts - considered good | 18 | 191,540,824 | 176,424,189 |
| Advances, deposits and prepayments | 19 | 151,530,098 | 101,436,397 |
| Other receivables | | 528,504 | 1,120,624 |
| Advance tax - net | | 15,245,096 | 37,454,526 |
| Cash and bank balances | 20 | 94,264,120 | 68,569,413 |
| | | 1,178,589,133 | 795,823,474 |
| | | 2,118,568,907 | 1,784,902,323 |

Contingencies and commitments

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

Lahore

Chief Executive

Director

Pak Kuwait Textiles Limited

Unconsolidated Profit and Loss Account

For the year ended 30 June 2018

| | Note | 2018 Rupees | 2017 Rupees |
|-------------------------------|------|------------------------|------------------------|
| <u>Sales</u> | | | |
| Cotton polyester yarn | | 2,334,091,453 | 2,065,694,651 |
| Cotton yarn | | 1,381,199,097 | 1,095,432,456 |
| PVC yarn | | 29,996,700 | - |
| Raw material | | - | 87,444,220 |
| Waste sale | | 127,076,335 | 96,126,182 |
| | | 3,872,363,585 | 3,344,697,509 |
| Less: Sales tax | | (410,940) | (1,804,265) |
| Net sales | | 3,871,952,645 | 3,342,893,244 |
| Cost of sales | 21 | (3,556,102,031) | (3,146,784,385) |
| Gross profit | | 315,850,614 | 196,108,859 |
| Administrative expenses | 22 | (48,430,410) | (38,885,801) |
| Distribution cost | 23 | (44,225,838) | (38,574,859) |
| Other expenses | 24 | (10,950,428) | (4,203,355) |
| Other income | 25 | 406,603 | 3,163,208 |
| | | (103,200,073) | (78,500,807) |
| Operating profit | | 212,650,541 | 117,608,052 |
| Finance cost | 26 | (76,289,182) | (63,404,545) |
| Profit before taxation | | 136,361,359 | 54,203,507 |
| Taxation | 27 | (37,911,302) | (38,572,525) |
| Profit after taxation | | 98,450,057 | 15,630,982 |

The annexed notes from 1 to 33 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 2018

| | 2018 Rupees | 2017 Rupees |
|------------------------------|------------------------|------------------------|
| Profit after taxation | 98,450,057 | 15,630,982 |

Other comprehensive income

Items that will never be reclassified to profit and loss account:

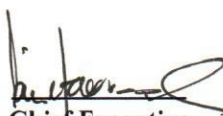
- Remeasurement of defined benefit obligation
- Related deferred tax

| | |
|-------------------|-------------------|
| 323,702 | 83,855 |
| (93,874) | (21,267) |
| 229,828 | 62,588 |
| 98,679,885 | 15,693,570 |

Total comprehensive income for the year

The annexed notes from 1 to 33 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 2018

Cash flows from operating activities

Profit / (Loss) before taxation

Adjustments for non-cash items:

Depreciation on property, plant and equipment

Amortization on intangibles

Finance cost

Loss/(Gain) on disposal of property, plant and equipment

Provision for Worker's Profit Participation Fund

Provision for Worker's Welfare Fund

Provision for staff retirement benefits

Operating profit before working capital changes

Changes in working capital

Decrease/(increase) in current assets:

Stores, spare parts and loose tools

Stock-in-trade

Trade debts

Advances, deposits and prepayments

Other receivables

Decrease in current liabilities:

Trade and other payables

Cash generated from operations

Finance cost paid

Staff retirement benefits paid

Payment made to Worker's Profit Participation Fund

Payment made to Worker's Welfare Fund

Income tax paid

Net cash (used in) / generated from financing activities

Cash flows from investing activities

Acquisition of property, plant and equipment

Short term investments

Proceeds from disposal of property, plant and equipment

Net cash used in investing activities

Cash flows from financing activities

Long term financing - net

Short term borrowings - net

Dividend paid

Net cash generated / (used in) from operating activities

Net (decrease) / increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

Cash and cash equivalents comprise of the following:

Cash and bank balances

Short term running finance

Note

2018

Rupees

2017

Rupees

136,361,359

54,203,507

61,367,202

66,334,056

1,792,982

1,792,982

76,289,182

57,025,959

362,948

(706,633)

7,347,442

2,920,343

3,240,038

1,283,012

19,552,602

19,585,764

169,952,396

148,235,483

306,313,755

202,438,990

12

13.1

537,782

(421,799)

(315,199,948)

235,195,407

(15,116,635)

(62,476,352)

(50,093,701)

(15,700,236)

592,120

(2,916,274)

(379,280,382)

153,680,746

80,685,857

(10,297,330)

(298,594,525)

143,383,416

7,719,230

345,822,406

(72,505,973)

(59,824,102)

(15,980,473)

(20,561,536)

(2,920,343)

-

(1,283,012)

-

(24,365,676)

(14,747,754)

(117,055,477)

(95,133,392)

(109,336,247)

250,689,014

(16,119,778)

(21,095,088)

-

10,348,560

1,695,721

1,937,815

(14,424,057)

(8,808,713)

(48,519,249)

(36,847,486)

213,625,301

(154,414,559)

(46,875,000)

(28,125,000)

118,231,052

(219,387,045)

(5,529,252)

22,493,256

65,434,119

42,940,863

59,904,867

65,434,119

20

8

94,264,120

68,569,413

(34,359,253)

(3,135,294)

59,904,867

65,434,119

The annexed notes from 1 to 33 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 2018

| | Share capital | Accumulated profit | Total |
|--|--------------------|-----------------------|----------------------|
| | -----Rupees----- | | |
| 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 |
| Interim cash dividend at Rs. 7.5 per share for the year ended 30 June 2017 | - | (28,125,000) | (28,125,000) |
| | | (28,125,000) | (28,125,000) |
| Balance as at 30 June 2017 | 375,000,000 | 807,470,154 | 1,182,470,154 |
| <i>Total comprehensive income for the year</i> | | | |
| Profit for the year ended 30 June 2018 | - | 98,450,057 | 98,450,057 |
| Other comprehensive income for the year ended 30 June 2018 | - | 229,828 | 229,828 |
| | - | 98,679,885 | 98,679,885 |
| <i>Transactions with owners of the Company:</i> | | | |
| Ist Interim cash dividend at Rs. 0.5 per share for the year ended 30 June 2018 | | (18,750,000) | (18,750,000) |
| 2nd Interim cash dividend at Rs. 0.75 per share for the year ended 30 June 2018 | - | (28,125,000) | (28,125,000) |
| | - | (46,875,000) | (46,875,000) |
| Balance as at 30 June 2018 | 375,000,000 | 859,275,039 | 1,234,275,039 |

The annexed notes from 1 to 33 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 2018

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. Production facility is situated at Hadali Town, Jauharabad, District Khushab, Pakistan.

- 1.1 There are no significant events or transactions that has affected the financial position and performance of the Company.

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 | 2018 (Shareholding) | 2017 |
|--------------------------|------------------------|--------|
| <u><i>Subsidiary</i></u> | | |
| Al Nasr Textiles Limited | 96.84% | 96.84% |

The registered address of the Subsidiary Company is situated at 29-Shadman II, Lahore, Pakistan. Production facility is situated at 5-Km Raiwind Manga Road, District Kasur, Pakistan.

2.2 Statement of compliance

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

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

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

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

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

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

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property', effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial statements.

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- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on the Company's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

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

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. The amendment, is not likely to have an impact on the Company's financial statements.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

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

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:

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.

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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.

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.

2.6.4 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.

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.

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

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.

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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 2018, using the "Projected Unit Credit Method".

Remeasurement of net defined benefit liability, which comprises 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

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

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.

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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. Amortisation on additions is charged from the month in which an intangible asset is acquired, while no amortisation is charged for the month in which intangible asset is disposed

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.

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

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.

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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.

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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 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.

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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 profit and loss account.

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.

| | 2018 Rupees | 2017 Rupees |
|---|--------------------|--------------------|
| 4 Issued, subscribed and paid-up capital | | |
| 2,500,000 (2017: 2,500,000) ordinary shares of Rs. 10 each fully paid in cash | 25,000,000 | 25,000,000 |
| 35,000,000 (2017: 35,000,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares | 350,000,000 | 350,000,000 |
| | <u>375,000,000</u> | <u>375,000,000</u> |

4.1 Directors hold 13,227,464 (2017: 13,227,464) ordinary shares of Rs. 10 each of the Company.

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5 Long term financing - secured

| Banking Companies | Note | 2018 Rupees | 2017 Rupees | Mark-up Rate per annum (%) | Number of remaining installments | Salient features |
|------------------------------|------|----------------|----------------|--|---|---|
| Bank Al-Habib Limited | | | | | | |
| (a) Term Finance-I | | 6,250,000 | 18,750,000 | 6 M KIBOR + 1.5% | The loan is repayable in 16 equal quarterly installments, including one year grace period, ending on 31 October 2018. | The 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) and (d) 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-III | | 1,550,000 | 3,100,000 | 6 M KIBOR + 1.5 % | The loan is repayable in 16 equal quarterly installments including grace period of one year ending on 18 June 2019. | The 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 | | | | | | |
| (c) Diminishing Musharaka | | 43,893,079 | 57,398,643 | 3 M KIBOR + 0.90% (Floor: 6% Cap: 15%) | The loan is repayable in 20 equal quarterly installments including grace period of one year ending on 14 July 2021. | The 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 had 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 | | | | | | |
| (d) Diminishing Musharaka | | 14,352,885 | 15,947,651 | 6 M KIBOR + 0.9% | The loan is repayable in 20 equal quarterly installments, including one year grace period, ending on 27 October 2022. | The Company has obtained this loan for the import of 10,000 Novibra Spindles. Loan has sanctioned limit of Rs. 16.6 Million. |

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| Banking Companies | Note | 2018 Rupees | 2017 Rupees | Mark-up Rate per annum (%) | Number of remaining installments | Salient features |
|---|------|---------------------|---------------------|----------------------------------|--|--|
| Faysal Bank Limited | | | | | | |
| (e) Term Finance-I | | 382,841 | 1,914,201 | 3 M KIBOR + 1% | The loan is repayable in 18 equal quarterly installments, including six months grace period, ending on 30 September 2018. | The Company has obtained this loan for the purpose of Balancing Modernization and Replacement (BMR). This loan along with loan (f) has sanctioned limit of Rs. 20 million. This loan along with loan (f), (g) and (h) is secured by way of first pari passu charge over all present and future fixed assets of the Company amounting to Rs. 106 million. |
| (f) Term Finance-II | | 1,070,656 | 3,211,992 | 3 M KIBOR + 1% | The loan is repayable in 18 equal quarterly installments, including six months grace period, ending on 29 November 2018. | The Company has obtained this loan for the purpose of Balancing Modernization and Replacement (BMR). |
| (g) Diminishing Musharaka-I | | 3,964,164 | 7,135,596 | 6 M KIBOR + 1% | The loan is repayable in 16 equal quarterly installments, including grace period of one year, ending on 30 September 2019. | The Company has obtained this loan for Balancing Modernization and Replacement (BMR). Sanctioned limit for this loan along with loan (h) is Rs. 38.78 million. |
| (h) Diminishing Musharaka-II | | 6,524,791 | 13,049,582 | 6 M KIBOR + 1% | The loan is repayable in 16 equal quarterly installments, including grace period of one year, ending on 23 April 2019. | The Company has obtained this loan for Balancing Modernization and Replacement (BMR). |
| MCB Bank Limited | | | | | | |
| (i) Term Finance | | 4,500,000 | 10,500,000 | 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. | The 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 pari passu charge over all present and future fixed assets of the Company amounting to Rs. 41.33 million. |
| | | <u>82,488,416</u> | <u>131,007,665</u> | | | |
| Less: Current maturity of long term financing | 7 | <u>(40,144,708)</u> | <u>(48,519,244)</u> | | | |
| | | <u>42,343,708</u> | <u>82,488,421</u> | | | |

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| | Note | 2018 Rupees | 2017 Rupees |
|-------------------------------|-------|--------------------|--------------------|
| 6 Deferred liabilities | | | |
| Staff retirement benefits | 6.1.1 | 41,544,656 | 38,296,229 |
| Deferred taxation | 6.2 | 69,645,598 | 78,215,528 |
| | | <u>111,190,254</u> | <u>116,511,757</u> |

6.1 Staff retirement benefits

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

| | Note | 2018 Rupees | 2017 Rupees |
|--|-------|-------------------|-------------------|
| 6.1.1 The amounts recognized in the balance sheet are as follows: | | | |
| Present value of defined benefit obligation | 6.1.4 | 41,544,656 | 38,296,229 |
| Liability at end of the year | | <u>41,544,656</u> | <u>38,296,229</u> |

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

| | Note | 2018 Rupees | 2017 Rupees |
|---------------------------|------|-------------------|-------------------|
| Current service cost | | 17,203,888 | 17,477,820 |
| Interest cost | | 2,348,714 | 2,107,944 |
| Charge to profit and loss | | <u>19,552,602</u> | <u>19,585,764</u> |

6.1.3 Included in other comprehensive income:

| | | | |
|--------------------------------------|--|------------------|-----------------|
| Experience adjustment on obligation | | (323,702) | (83,855) |
| Credit to other comprehensive income | | <u>(323,702)</u> | <u>(83,855)</u> |

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

| | | | |
|--------------------------------------|-------|---------------------|---------------------|
| Liability at beginning of the year | | 38,296,229 | 39,355,856 |
| Charge to profit and loss | 6.1.2 | 19,552,602 | 19,585,764 |
| Credit to other comprehensive income | 6.1.3 | (323,702) | (83,855) |
| Benefits paid during the year | | <u>(15,980,473)</u> | <u>(20,561,536)</u> |
| Liability at end of the year | | <u>41,544,656</u> | <u>38,296,229</u> |

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| | 2018 Rupees | 2017 Rupees |
|--|-------------------|-------------------|
| Movement in the present value of defined benefit obligation is as follows: | | |
| Present value of defined benefit obligation at beginning of the year | 38,296,229 | 39,355,856 |
| Current service cost | 17,203,888 | 17,477,820 |
| Interest cost | 2,348,714 | 2,107,944 |
| Benefits paid | (15,980,473) | (20,561,536) |
| Remeasurement gain on obligation | (323,702) | (83,855) |
| Present value of defined benefit obligation at end of the year | 41,544,656 | 38,296,229 |

6.1.5 Actuarial assumptions

| | | |
|--|---------|---------|
| Valuation discount rate | 9.00% | 7.75% |
| Expected rate of increase in salaries | 8.00% | 6.75% |
| 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:

| | Change in assumptions | Impact on defined benefit obligation at the year end -increase / (decrease) | |
|--------------------|-----------------------|--|------------------------|
| | | Increase in assumption | Decrease in assumption |
| | | -----Rupees----- | |
| Discount rate | 1% | (2,604,924) | 3,145,365 |
| Salary growth rate | 1% | 3,259,968 | (2,771,422) |

6.1.7 The average duration of the defined benefit obligation is 7 years. The Company expects to charge Rs. 21.97 million to unconsolidated profit and loss account on account of defined benefit plan in 2019.

| | 2018 Rupees | 2017 Rupees |
|--|-------------------|-------------------|
| 6.2 Deferred tax liability | | |
| <u>Taxable temporary difference</u> | | |
| Accelerated tax depreciation | 85,137,086 | 88,200,466 |
| <u>Deductible temporary differences</u> | | |
| Staff retirement benefits | (12,047,950) | (9,691,423) |
| Provision for WPPF and WWF | (3,070,369) | - |
| Provision for doubtful debts | (373,169) | (293,515) |
| | 69,645,598 | 78,215,528 |

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| 7 | Current portion of long term financing | Note | 2018 Rupees | 2017 Rupees |
|---|--|------|-------------------|-------------------|
| | Long term financing - secured | 5 | 40,144,708 | 48,519,244 |
| | | | <u>40,144,708</u> | <u>48,519,244</u> |

8 Short term borrowings - secured

From banking companies:

| | | | |
|---|-----|--------------------|--------------------|
| Short term financing | | 382,607,340 | 176,117,392 |
| Short term running finance | | 34,359,253 | 3,135,294 |
| | 8.1 | 416,966,593 | 179,252,686 |
| Payable against inland bills discounted | | 30,747,303 | 23,611,950 |
| | | <u>447,713,896</u> | <u>202,864,636</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 (2017: Rs.1,155 million), pledge of raw material, lien on import documents. These facilities are expiring on various dates latest by 30 June 2019.

Mark-up on local currency facilities is charged at the rates ranging from 6.40% to 7.74% (2017: 6.47% to 7.27%) per annum payable quarterly.

The aggregate available short term funded facilities amount to Rs. 2,625 million (2017: Rs. 2,465 million).

| 9 | Trade and other payables | Note | 2018 Rupees | 2017 Rupees |
|---|--|------|--------------------|--------------------|
| | Trade creditors | | 32,650,429 | 35,096,081 |
| | Refundable security | 9.1 | 6,050,233 | 6,054,233 |
| | Accrued liabilities | 9.2 | 131,053,477 | 66,116,665 |
| | Advances from customers | | 27,321,982 | 14,717,773 |
| | Withholding income tax payable | | 150,399 | 599,462 |
| | Withholding sales tax payable | | 500,203 | 363,217 |
| | Payables to Workers' Profit Participation Fund | 9.3 | 7,347,442 | 2,920,343 |
| | Payables to Workers' Welfare Fund | 9.4 | 3,240,038 | 1,283,012 |
| | Payable to commission agents | | 11,891,866 | 7,827,770 |
| | Payable to clearing agents | | 834,242 | 484,061 |
| | Other payables | | 11,065,165 | 9,572,877 |
| | | | <u>232,105,476</u> | <u>145,035,494</u> |

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. These amounts are not kept in a separate bank account.

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- 9.2 This includes Rs. 29.761 million booked on account of Gas Infrastructure Development Cess (GIDC) for the period from August 2014 to June 2018. The Company, along with various other companies has challenged the legality and validity of levy and demand of GIDC in Honorable Lahore High Court which is pending adjudication. However, on a prudent basis, the Company has recorded the GIDC amount for the mentioned period. Further, due to non payment, default surcharge of Rs. 24.546 million for the period from June 2015 to June 2018 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 | 2018 Rupees | 2017 Rupees |
|---|---|-------------------|------------------|
| 9.3 Workers' Profit Participation Fund | | | |
| At the beginning of the year | | 2,920,343 | - |
| Interest for the year | 26 | 221,066 | - |
| Allocation for the year | 24 | 7,347,442 | 2,920,343 |
| | | <u>10,488,851</u> | <u>2,920,343</u> |
| Paid during the year | | (3,141,409) | - |
| At end of the year | | <u>7,347,442</u> | <u>2,920,343</u> |
| 9.4 Workers' Welfare Fund | | | |
| At the beginning of the year | | 1,283,012 | - |
| Allocation for the year | 24 | 3,240,038 | 1,283,012 |
| Payment made during the year | | (1,283,012) | - |
| At end of the year | | <u>3,240,038</u> | <u>1,283,012</u> |
| 10 Accrued mark-up | | | |
| Long term financing - secured | | 2,207,547 | 2,807,497 |
| Short term borrowings - secured | | 8,588,279 | 4,205,120 |
| | | <u>10,795,826</u> | <u>7,012,617</u> |
| 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 | | |

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Department and on furnishing of bank guarantee amounting to Rs. 28.26 million for remaining 50% to them. The petition is pending for hearing and stay is continuing. The management is confident of favourable outcome of the matter. The Company's legal counsel concurs with management's representation.

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. ACC, in its order dated 16 August 2013, adjudged an amount of Rs. 1.12 million against the Company. An appeal against the aforesaid order was filed in Appellate Tribunal Customs, Lahore Bench which is still pending adjudication. Management is hopeful of favourable outcome of the matter.

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 tax advisor concurs with management's representation.

11.1.4 The Company has received a Show Cause Notice of demand of Rs. 14.916 million dated 12 April 2018 from Additional Commissioner Enforcement - III PRA through which it was alleged that the Company has not withheld and deposited sales tax from payments made to service providers. The notice has been challenged by the Company in Lahore High Court Lahore on the grounds that as services were received in the jurisdiction of province of Sindh, therefore sales tax was duly withheld and paid to Sindh Revenue Board. The Honourable High Court has granted interim relief to the Company with the directions that no proceedings shall be undertaken till the date of next hearing. Management is confident of a favorable decision of the matter. The Company's legal counsel concurs with management's representation.

11.1.5 During the year, income tax assessment for the tax year 2014 dated 26 September 2017 has been amended wherein tax including amount payable to Workers' Welfare Fund is determined to be Rs. 72.97 million as against Rs. 35.81 million conceded in Income Tax Return of that tax year. Demand was later on reduced to Rs. 44.66 million on account of paid/adjusted taxes. An appeal dated 19 October 2017 has been filed with Commissioner Appeals and is pending adjudication. Management believes that a favorable decision shall be passed by the Commissioner Appeals. The Company's tax advisor concurs 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. 67.437 million (2017: Rs. 64.437 million).

| | 2018 | 2017 |
|------------------------------|---------------------------|--------------------------|
| | Rupees | Rupees |
| 11.2.2 In respect of: | | |
| a) letters of credit for: | | |
| - raw material | 118,109,534 | - |
| - capital expenditure | - | 11,387,075 |
| - stores and spares | - | 1,525,017 |
| | <u>118,109,534</u> | <u>12,912,092</u> |

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12 Property, plant and equipment

| | | | | | 2018 | | | | |
|----------------------------|------------------------------|------------------------------|--------------------------|----------------------|--------------------------|------------------------|------------------------------|--------------------------|----------------------|
| Cost | | | | | Accumulated Depreciation | | | | Net book value as at |
| As at 01 July 2017 | Additions during the year | Disposals during the year | As at 30 June 2018 | Rate | As at 01 July 2017 | Charge for the year | Disposals during the year | As at 30 June 2018 | 30 June 2018 |
| Rupees | | | | | Rupees | | | | |
| | | | | | | | | | |
| Freehold land | 1,609,826 | - | - | 1,609,826 | - | - | - | - | 1,609,826 |
| Buildings on freehold land | 212,697,001 | - | - | 212,697,001 | 5 | 109,118,803 | 5,178,647 | 114,297,450 | 98,399,551 |
| Plant and machinery | 1,394,367,055 | 13,102,382 | (13,023,213) | 1,394,446,224 | 10 | 893,000,065 | 50,910,696 | 932,748,997 | 461,697,227 |
| Electric installation | 96,200,308 | 352,139 | - | 96,552,447 | 10 | 70,905,742 | 2,542,054 | 73,447,796 | 23,104,651 |
| Tools and equipment | 6,746,240 | 1,079,355 | - | 7,825,595 | 10 | 6,107,947 | 79,654 | 6,187,601 | 1,637,994 |
| Furniture and fittings | 5,256,797 | 475,210 | - | 5,732,007 | 10 | 3,568,419 | 197,084 | 3,765,503 | 1,966,504 |
| Office equipment | 18,241,719 | 400,731 | - | 18,642,450 | 10 | 10,793,847 | 748,589 | 11,542,436 | 7,100,014 |
| Vehicles | 25,041,842 | 709,970 | (1,321,406) | 24,430,406 | 20 | 16,984,623 | 1,710,478 | 17,570,924 | 6,859,482 |
| 2018 | 1,760,160,788 | 16,119,787 | (14,344,619) | 1,761,935,956 | | 1,110,479,446 | 61,367,202 | 1,159,560,707 | 602,375,249 |

Owned

| | | | | | 2017 | | | | |
|----------------------------|------------------------------|------------------------------|--------------------------|----------------------|--------------------------|------------------------|------------------------------|--------------------------|----------------------|
| Cost | | | | | Accumulated Depreciation | | | | Net book value as at |
| 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 | 30 June 2017 |
| 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 | 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 | 1,110,479,446 | 649,681,342 |

Owned

| | | | | | | | | | |
|----------------------------|----------------------|-------------------|--------------------|----------------------|----|----------------------|-------------------|----------------------|--------------------|
| 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 | 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 | 1,110,479,446 | 649,681,342 |

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

Cost of sales
Administrative expenses

| Note | 2018 Rupees | 2017 Rupees |
|------|-------------------|-------------------|
| 21 | 60,446,694 | 65,339,045 |
| 22 | 920,508 | 995,011 |
| | 61,367,202 | 66,334,056 |

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12.2 Disposal of property, plant and equipment

| Particular of assets | Cost | Accumulated depreciation | Written down value | Sale proceeds | Gain / (Loss) | Mode of disposal | Relationship with the Company | Particulars of purchaser |
|--|-------------------|--------------------------|--------------------|------------------|------------------|------------------|-------------------------------|--------------------------|
| ----- Rupees ----- | | | | | | | | |
| <u>Plant and machinery</u> | | | | | | | | |
| Simplex Machinery HY-491 | 2,086,416 | 1,564,056 | 522,360 | 272,727 | (249,633) | Negotiation | Third Party | German Garments-II |
| Simplex Machinery FA-415A | 4,450,564 | 4,062,048 | 388,516 | 181,818 | (206,698) | Negotiation | Third Party | German Garments-II |
| Auto Cone Machinery-Winding Machine Espero | 6,486,233 | 5,535,669 | 950,564 | 840,336 | (110,228) | Negotiation | Third Party | Textile Future Concern |
| <u>Vehicles</u> | | | | | | | | |
| Motor Bike - Yamaha LXM-5930 | 69,177 | 68,207 | 970 | 5,042 | 4,072 | Negotiation | Employee | Muhammad Iqbal |
| Motor Bike - Honda CD70 LXW-9481 | 70,300 | 68,756 | 1,544 | 15,126 | 13,582 | Negotiation | Third Party | Mian Usman Zafar |
| Motor Bike - Honda 125 LEP- 2223 | 71,000 | 63,429 | 7,571 | 25,210 | 17,639 | Negotiation | Employee | Muhammad Suleman Khan |
| Motor Bike - Yamaha Janoon LEP- 2225 | 61,000 | 54,495 | 6,505 | 12,605 | 6,100 | Negotiation | Employee | Shahzad Anjum |
| Motor Bike - Yamaha Janoon LEP- 2224 | 61,000 | 54,495 | 6,505 | 5,882 | (623) | Negotiation | Third Party | Muhammad Ramzan |
| Motor Bike - Honda CD70 KBB-7254 | 60,900 | 53,532 | 7,368 | 31,933 | 24,565 | Negotiation | Third Party | Muhammad Naveed Akram |
| Motor Bike - Honda CD70 LEY-3888 | 65,229 | 54,987 | 10,242 | 23,529 | 13,287 | Negotiation | Employee | Syed Zeshan Haider Zaidi |
| Motor Bike Yamaha 100CC LER-10-4092 | 72,800 | 57,928 | 14,872 | 12,605 | (2,267) | Negotiation | Third Party | Muhammad Ramzan |
| Motor Car- Suzuki Cultus LEC-10-1590 | 790,000 | 648,348 | 141,652 | 268,908 | 127,256 | Negotiation | Third Party | Hannan Naveed |
| 2018 | 14,344,619 | 12,285,950 | 2,058,669 | 1,695,721 | (362,948) | | | |
| 2017 | 4,523,516 | 3,292,334 | 1,231,182 | 1,937,815 | 706,633 | | | |

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| 13 | Intangibles | Note | 2018 Rupees | 2017 Rupees |
|------|--|------|--------------------|--------------------|
| | <i>Computer Software:</i> | | | |
| | Cost | | 8,964,909 | 8,964,909 |
| | Less: Accumulated amortisation | 13.1 | (8,342,914) | (6,549,932) |
| | | | <u>621,995</u> | <u>2,414,977</u> |
| | Amortization rate | | <u>20%</u> | <u>20%</u> |
| 13.1 | Accumulated amortisation | | | |
| | At beginning of the year | | 6,549,932 | 4,756,950 |
| | Amortisation for the year | | <u>1,792,982</u> | <u>1,792,982</u> |
| | At end of the year | | <u>8,342,914</u> | <u>6,549,932</u> |
| 13.2 | The amortisation charge for the year has been allocated to administrative expenses as referred to in note 22. | | | |
| 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 | Note | 2018 Rupees | 2017 Rupees |
| | <u><i>Subsidiary Company, at cost</i></u> | | | |
| | <i>Al Nasr Textiles Limited - unquoted</i> | | | |
| | 33,119,000 (2017: 33,119,000) ordinary shares of Rs. 10 each | | | |
| | Equity held 96.84% (2017: 96.84%) | | <u>331,190,000</u> | <u>331,190,000</u> |
| 16 | Stores, spare parts and loose tools | | | |
| | Stores | | 16,822,261 | 18,636,970 |
| | Spare parts and loose tools | | <u>9,181,854</u> | <u>7,904,927</u> |
| | | | <u>26,004,115</u> | <u>26,541,897</u> |
| 17 | Stock in trade | | | |
| | Raw material | 17.1 | 434,253,870 | 178,305,683 |
| | Packing material | | 11,429,220 | 11,956,801 |
| | Work in process | | 25,239,883 | 22,208,716 |
| | Finished goods | 17.2 | 138,999,038 | 171,805,228 |
| | Stock in transit | | <u>89,554,365</u> | <u>-</u> |
| | | | <u>699,476,376</u> | <u>384,276,428</u> |
| 17.1 | Raw materials amounting to Rs. 384.711 million (2017: Rs. 176.7117 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. Nil (2017: Rs 1.65 million). | | | |
| 18 | Trade debts - considered good | | 2018 Rupees | 2017 Rupees |
| | Local debtors - <i>unsecured, considered good</i> | | 191,540,824 | 176,424,189 |
| | Considered doubtful | | <u>1,286,788</u> | <u>1,157,301</u> |
| | | | <u>192,827,612</u> | <u>177,581,490</u> |
| | Provision for doubtful debts | | <u>(1,286,788)</u> | <u>(1,157,301)</u> |
| | | | <u>191,540,824</u> | <u>176,424,189</u> |

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| 19 | Advances, deposits and prepayments | Note | 2018 Rupees | 2017 Rupees |
|----|--|------|--------------------|--------------------|
| | Advances to employees - unsecured <i>considered good</i> | | 4,047,368 | 4,638,260 |
| | Advances to suppliers - <i>unsecured considered good</i> | | | |
| | - local | | 4,429,331 | 98,351 |
| | - foreign | | 7,006,428 | 1,581,565 |
| | Security deposits | | 716,829 | 666,829 |
| | Advance against letters of credit | | 1,979,310 | 113,446 |
| | Margin on bank guarantees | | 30,412,490 | 27,412,490 |
| | Prepayments | | 6,821,714 | 2,318,342 |
| | Sales tax receivable | | 96,116,628 | 64,607,114 |
| | | | <u>151,530,098</u> | <u>101,436,397</u> |

20 Cash and bank balances

| | | | |
|--------------------|------|-------------------|-------------------|
| Cash in hand | | 133,247 | 172,847 |
| Cash at bank: | | | |
| - Current accounts | | 94,130,455 | 68,368,791 |
| - Saving accounts | 20.1 | 418 | 27,775 |
| | | <u>94,264,120</u> | <u>68,569,413</u> |

20.1 These carry mark-up at the rate of 3.75% (2017: from 3.75% to 4.75%) per annum.

| 21 | Cost of sales | Note | 2018 Rupees | 2017 Rupees |
|----|---|------|----------------------|----------------------|
| | Raw material consumed - Yarn | | 2,475,235,824 | 2,156,255,245 |
| | Salaries, wages and other benefits | | 301,265,345 | 282,581,637 |
| | Power and fuel | | 466,264,577 | 382,627,752 |
| | Stores and spares consumed | | 64,272,967 | 59,230,244 |
| | Packing material consumed | | 59,053,188 | 57,802,309 |
| | Repairs and maintenance | | 43,994,145 | 22,049,489 |
| | Vehicles running and maintenance | | 3,174,216 | 2,420,934 |
| | Insurance | | 9,267,394 | 7,772,467 |
| | Staff retirement benefits | | 18,291,623 | 19,073,048 |
| | Depreciation | 12.1 | 60,446,694 | 65,339,045 |
| | Other expenses | | 9,587,735 | 7,727,192 |
| | | | <u>3,510,853,708</u> | <u>3,062,879,362</u> |
| | Work in process | | | |
| | At beginning of the year | | 22,208,716 | 25,570,034 |
| | At end of the year | | (25,239,883) | (22,208,716) |
| | | | <u>(3,031,167)</u> | <u>3,361,318</u> |
| | Cost of goods manufactured | | 3,507,822,541 | 3,066,240,680 |
| | <i>Finished goods</i> | | | |
| | At beginning of the year | | 171,805,228 | 158,243,521 |
| | At end of the year | | (138,999,038) | (171,805,228) |
| | | | <u>32,806,190</u> | <u>(13,561,707)</u> |
| | Cost of sales - purchased products | | - | 79,540,677 |
| | Other cost of sales comprising freight expenses on sale | | 15,473,300 | 14,564,735 |
| | | | <u>3,556,102,031</u> | <u>3,146,784,385</u> |

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| | | | 2018 | 2017 |
|-------------|---|------|-------------------|-------------------|
| | | Note | Rupees | Rupees |
| 22 | Administrative expenses | | | |
| | Salaries and other benefits | | 27,541,740 | 18,261,924 |
| | Traveling expenses | | 1,323,031 | 699,291 |
| | Telephone, postage and telegrams | | 2,118,166 | 1,912,310 |
| | Rent, rates and taxes | | 1,905,195 | 1,672,925 |
| | Power and fuel | | 862,038 | 907,780 |
| | Printing and stationery | | 400,079 | 440,619 |
| | Entertainment | | 675,844 | 738,423 |
| | Insurance | | 132,451 | 684,888 |
| | Advertisement expenses | | 29,222 | - |
| | Repairs and maintenance | | 1,460,361 | 2,649,583 |
| | Legal and professional charges | | 1,350,000 | 2,232,980 |
| | Auditors' remuneration | 22.1 | 325,000 | 325,000 |
| | Vehicle running and maintenance | | 2,647,371 | 2,419,695 |
| | Charity and donations | 22.2 | 95,000 | - |
| | Subscription fees | | 1,011,511 | 731,787 |
| | Staff retirement benefits | | 1,260,979 | 512,716 |
| | Provision for doubtful debts | 18 | 129,487 | 253,132 |
| | Depreciation | 12.1 | 920,508 | 995,011 |
| | Amortisation of intangibles | 13.1 | 1,792,982 | 1,792,982 |
| | Other expenses | | 2,449,445 | 1,654,755 |
| | | | <u>48,430,410</u> | <u>38,885,801</u> |
| 22.1 | Auditors' remuneration | | | |
| | Audit fee | | 275,000 | 275,000 |
| | Out of pocket expenses | | 50,000 | 50,000 |
| | | | <u>325,000</u> | <u>325,000</u> |
| 22.2 | This includes an amount of Rs.50,000 paid to Chaudhary Nasurullah Family Trust. Mr. Tariq Mehmood (CEO), Mr. Javed Nasrullah (director) and Mr. Raza Nasrullah (director) are on the board of trustees. | | | |
| 23 | Distribution cost | | | |
| | Commission on yarn sales - local | | 33,609,443 | 27,186,615 |
| | Salaries and other benefits | | 3,456,824 | 4,814,737 |
| | Loading and other expenses | | 7,159,571 | 6,573,507 |
| | | | <u>44,225,838</u> | <u>38,574,859</u> |
| 24 | Other expenses | | | |
| | Workers' Profit Participation Fund | 9.3 | 7,347,442 | 2,920,343 |
| | Workers' Welfare Fund | 9.4 | 3,240,038 | 1,283,012 |
| | Loss on disposal of property, plant and equipment | | 362,948 | - |
| | | | <u>10,950,428</u> | <u>4,203,355</u> |

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| 25 | Other income | Note | 2018 | 2017 |
|------|--|------|---|--------------------------------|
| | | | Rupees | Rupees |
| | <u>From financial assets</u> | | | |
| | Realized gain on sale of investments at fair value through profit and loss account | | - | 963,551 |
| | Profit on bank deposits | | 1,781 | 5,797 |
| | Dividend income | | - | 7,875 |
| | | | 1,781 | 977,223 |
| | <u>From non-financial assets</u> | | | |
| | Income on sale of scrap | | 259,647 | 263,925 |
| | Gain on disposal of property, plant and equipment | | - | 706,633 |
| | Quality claim | | 145,175 | 1,215,427 |
| | | | 404,822 | 2,185,985 |
| | | | 406,603 | 3,163,208 |
| 26 | Finance cost | | | |
| | Interest and mark-up on: | | | |
| | - Long term financing - secured | | 7,684,424 | 11,181,234 |
| | - Short term borrowings - secured | | 44,139,589 | 30,038,615 |
| | Finance cost on letter of credit | | 16,814,237 | 14,953,597 |
| | Commission and other charges on letter of credit | | 6,513,638 | 6,378,586 |
| | Commission on bank guarantees | | 517,715 | 449,292 |
| | Interest on Workers' Profit Participation Fund | 9.3 | 221,066 | - |
| | Bank charges | | 398,513 | 403,221 |
| | | | 76,289,182 | 63,404,545 |
| 27 | Taxation | | | |
| | Current | | | |
| | - For the year | | 47,147,188 | 31,409,708 |
| | - Prior years | | (572,082) | (35,832) |
| | | | 46,575,106 | 31,373,876 |
| | Deferred tax | | (8,663,804) | 7,198,649 |
| | | | 37,911,302 | 38,572,525 |
| 27.1 | Tax charge reconciliation | | | |
| | Numerical reconciliation between tax expense and accounting | | | |
| | Profit before taxation | | 136,361,359 | 54,203,507 |
| | Applicable tax rate as per Income Tax Ordinance, 2001 | | 30% | 31% |
| | Tax on accounting profit | | 40,908,408 | 16,803,087 |
| | - change in proportion of local and export sales | | 14,303,431 | 4,029,001 |
| | - prior year adjustments in current tax | | (572,082) | (35,832) |
| | - tax credits | | (1,453,388) | (2,019,224) |
| | - effect of minimum tax over tax under Normal Tax Regime | | - | 19,487,006 |
| | - tax rate adjustments | | (14,412,380) | - |
| | - others | | (862,687) | 308,487 |
| | | | (2,997,106) | 21,769,438 |
| | | | 37,911,302 | 38,572,525 |
| 27.2 | The provision for current year tax represents tax on taxable income at the rate of 30%, net of tax credits. As per management's assessment, the provision for tax made in the financial statements is sufficient. A comparison of last three years' of income tax provisions with tax assessment is presented below: | | | |
| | | | Tax provision as per financial statements | Tax as per assessment / return |
| | <u>Tax Years</u> | | | |
| | 2015 | | 32,752,153 | 32,857,124 |
| | 2016 | | 22,282,508 | 22,246,676 |
| | 2017 | | 31,409,708 | 31,302,733 |

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28 Related party transactions and balances

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

| | Percentage of Holding | Relationship | Nature of transactions | Note | 2018 Rupees | 2017 Rupees |
|---|--------------------------|---------------------|--|------|--------------------|--------------------|
| <u>With subsidiary company</u> | | | | | | |
| Al Nasr Textiles Limited | 96.84% | Subsidiary Company | Reimbursements of expenses | | <u>2,380,477</u> | <u>2,487,499</u> |
| | | | Purchase of raw material | | <u>76,176,194</u> | <u>-</u> |
| | | | Long term investments | | <u>331,190,000</u> | <u>331,190,000</u> |
| | | | Advance against sale of raw material-unsecured | | <u>15,000,000</u> | <u>-</u> |
| <u>With other related parties</u> | | | | | | |
| Unigohar Homes (Private) Limited | | Common Directorship | Rent expense | | <u>1,800,000</u> | <u>1,584,000</u> |
| <u>With associated undertaking</u> | | | | | | |
| Chaudary Nasrullah Family Trust | | Common Trustees | Donations | | <u>50,000</u> | <u>-</u> |
| <u>Key Management Personnel</u> | | | | | | |
| | | Directors | Remuneration | 31 | <u>3,387,716</u> | <u>2,783,353</u> |
| | | | Dividend paid | | <u>46,875,000</u> | <u>28,125,000</u> |
| | | Other executives | Remuneration | 31 | <u>4,586,776</u> | <u>10,496,304</u> |

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

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29 Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

29.1 Credit risk and concentration of credit risk

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

29.1.1 Exposure to credit risk

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

| | 2018 Rupees | 2017 Rupees |
|---------------------------------------|--------------------|--------------------|
| Trade debts - considered good | 191,540,824 | 176,424,189 |
| Deposits and other receivables | 11,085,231 | 12,218,243 |
| Margin account with a banking company | 30,412,490 | 27,412,490 |
| Bank balances | 94,130,873 | 68,396,566 |
| | <u>327,169,418</u> | <u>284,451,488</u> |

29.1.2 Concentration of credit risk

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

| | 2018 Rupees | 2017 Rupees |
|--|--------------------|--------------------|
| Customers | 191,540,824 | 176,424,189 |
| Banking companies and financial institutions | 124,543,363 | 95,809,056 |
| Others | 11,085,231 | 12,218,243 |
| | <u>327,169,418</u> | <u>284,451,488</u> |

29.1.3 Credit quality and impairment

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

29.1.3(a) Counterparties with external credit ratings

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

| Banks | Rating | | Rating Agency | 2018 | 2017 |
|--------------------------------------|------------|-----------|---------------|-------------|------------|
| | Short term | Long term | | Rupees | Rupees |
| <u>Bank balances</u> | | | | | |
| National Bank of Pakistan | A1+ | AAA | PACRA | 886,644 | 1,844,313 |
| Faysal Bank Limited | A1+ | AA | PACRA | 30,595,551 | 27,501,246 |
| Bank Alfalah Limited | A1+ | AA+ | PACRA | - | 3,037,877 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | 11,357,838 | 38,359,786 |
| Bank Alfalah Limited Islamic Banking | A1+ | AA+ | PACRA | 97,047 | - |
| MCB Bank Limited | A1+ | AAA | PACRA | 719,452 | 2,808,568 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | - | 2,883,585 |
| Bank Al Habib Limited | A1+ | AA+ | PACRA | 46,633,419 | 15,287,750 |
| NIB Bank Limited | A1+ | AA- | PACRA | - | 26,117 |
| Meezan Bank Limited | A-1+ | AA | JCR-VIS | 34,231,555 | 3,927,297 |
| Askari Bank Limited | A1+ | AA+ | PACRA | 21,857 | 102,557 |
| The Bank of Punjab | A1+ | AA | PACRA | - | 29,961 |
| | | | | 124,543,363 | 95,809,057 |

29.1.3(b) Counterparties without external credit ratings

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

| | 2018 Rupees | 2017 Rupees |
|---|--------------------|--------------------|
| The aging of trade receivable at the reporting date is: | | |
| Past due 1-30 days | 139,633,229 | 118,174,083 |
| Past due 31-180 days | 28,227,815 | 35,773,317 |
| Past due 181-365 days | 917,780 | 22,475,620 |
| Past due 366 & above | 22,762,000 | 1,169 |
| | <u>191,540,824</u> | <u>176,424,189</u> |

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

29.2 Liquidity risk

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

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

29.2.1 Exposure to liquidity risk

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

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

| | 2018 | | | | |
|---|----------------------|------------------------|--------------------|----------------------|------------------|
| | Carrying amount | Contractual cash flows | Less than 1 year | Between 1 to 5 years | Above 5 years |
| <u>Non-derivative financial liabilities</u> | ----- (Rupees) ----- | | | | |
| Long term financing - secured | 82,488,416 | 90,591,138 | 43,946,787 | 46,644,351 | - |
| Trade and other payables | 193,545,412 | 193,545,412 | 193,545,412 | - | - |
| Accrued mark-up | 10,795,826 | 10,795,826 | 10,795,826 | - | - |
| Short term borrowings - secured | 447,713,896 | 447,713,896 | 447,713,896 | - | - |
| | <u>734,543,550</u> | <u>742,646,272</u> | <u>696,001,921</u> | <u>46,644,351</u> | <u>-</u> |
| | | | | | |
| | 2017 | | | | |
| | Carrying amount | Contractual cash flows | Less than 1 year | Between 1 to 5 years | Above 5 years |
| <u>Non-derivative financial liabilities</u> | ----- (Rupees) ----- | | | | |
| 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> |

29.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. As at 30 June 2018 the Company is not exposed to market risk.

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29.3.1 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.

29.3.1(a) Exposure to currency risk

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

| | 2018 USD | 2017 USD |
|-------------------|-------------|-------------|
| Foreign creditors | - | 1,558 |
| Net exposure | - | 1,558 |

29.3.1(b) Exchange rates applied during the year

The following significant exchange rate has been applied:

| | Average rate | | Reporting date rate | |
|------------------------------|----------------|----------------|---------------------|----------------|
| | 2018 Rupees | 2017 Rupees | 2018 Rupees | 2017 Rupees |
| USD to PKR - Selling rate | 110.42 | 104.78 | 121.60 | 104.95 |

29.3.1(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.

| | 2018 Rupees | 2017 Rupees |
|---------------------------------|----------------|----------------|
| <u>Effect on profit or loss</u> | | |
| USD | - | 16,351 |

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.

29.3.2 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 | |
|----------------------------------|-----------------|----------------|
| | 2018 Rupees | 2017 Rupees |
| <u>Variable rate instruments</u> | | |
| Financial liabilities: | | |
| Long term financing - secured | 82,488,416 | 131,007,665 |
| Short term borrowings - secured | 447,713,896 | 202,864,636 |
| | 530,202,312 | 333,872,301 |
| Financial assets: | | |
| Saving bank accounts | (418) | (27,775) |
| | 530,201,894 | 333,844,526 |

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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 2017.

| | <u>Profit and loss 100 bps</u> | |
|---|--------------------------------|---------------------------|
| | <u>Increase</u> Rupees | <u>Decrease</u> Rupees |
| As at 30 June 2018 | | |
| Cash flow sensitivity-Variable rate financial liabilities | (5,302,019) | 5,302,019 |
| As at 30 June 2017 | | |
| Cash flow sensitivity-Variable rate financial liabilities | (3,338,445) | 3,338,445 |

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

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.

29.3.3 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 market.

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29.4 Financial instruments-fair values

29.4.1 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:

| | Note | 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 2018 | | | | | | | |
| Financial assets measured at fair value | | - | - | - | - | - | - |
| | | - | - | - | - | - | - |
| Financial assets not measured at fair value | | | | | | | |
| Cash and bank balances | | 94,264,120 | - | 94,264,120 | - | - | - |
| Deposits and other receivables | | 11,085,231 | - | 11,085,231 | - | - | - |
| Margin account with a banking company | | 30,412,490 | - | 30,412,490 | - | - | - |
| Trade debts - unsecured, considered good | | 191,540,824 | - | 191,540,824 | - | - | - |
| | 29.4.2 | 327,302,665 | - | 327,302,665 | - | - | - |
| Financial liabilities measured at fair value | | - | - | - | - | - | - |
| | | - | - | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | |
| Long term financing - secured | | - | 82,488,416 | 82,488,416 | - | - | - |
| Trade and other payables | | - | 193,545,412 | 193,545,412 | - | - | - |
| Short term borrowings | | - | 447,713,896 | 447,713,896 | - | - | - |
| Accrued mark-up | | - | 10,795,826 | 10,795,826 | - | - | - |
| | 29.4.2 | - | 734,543,550 | 734,543,550 | - | - | - |

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On-Balance sheet financial instruments

Note

30 June 2017

Financial assets measured at fair value

Financial assets not measured at fair value

Cash and bank balances
Deposits and other receivables
Margin account with a banking company
Trade debts - unsecured, considered good

29.4.2

Financial liabilities measured at fair value

Financial liabilities not measured at fair value

Long term financing - secured
Trade and other payables
Short term borrowings - secured
Accrued mark-up

29.4.2

| Carrying Amount | | | Fair Value | | |
|-----------------------|-----------------------------|-------------|------------|---------|---------|
| Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| ----- Rupees ----- | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 68,569,413 | - | 68,569,413 | - | - | - |
| 12,218,243 | - | 12,218,243 | - | - | - |
| 27,412,490 | - | 27,412,490 | - | - | - |
| 176,424,189 | - | 176,424,189 | - | - | - |
| 284,624,335 | - | 284,624,335 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 131,007,665 | 131,007,665 | - | - | - |
| - | 125,151,687 | 125,151,687 | - | - | - |
| - | 202,864,636 | 202,864,636 | - | - | - |
| - | 7,012,617 | 7,012,617 | - | - | - |
| - | 466,036,605 | 466,036,605 | - | - | - |

29.4.2 Fair value versus carrying amounts

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

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29.5 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.

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

| | 30 June 2018 | | | |
|--|-----------------------|--------------------------|---------------------|--------------------|
| | Liabilities | | | |
| | Long term finances | Short term borrowings | Dividend payable | Total |
| | ----- Rupees ----- | | | |
| Balance as at 01 July 2017 | 131,007,665 | 199,729,342 | - | 330,737,007 |
| <u>Changes from financing activities</u> | | | | |
| Repayment of long term finances - secured | (48,519,249) | - | - | (48,519,249) |
| Repayment of short term borrowings | - | 213,625,301 | - | 213,625,301 |
| Dividend paid | - | - | (46,875,000) | (46,875,000) |
| Total changes from financing cash flows | (48,519,249) | 213,625,301 | (46,875,000) | 118,231,052 |
| <u>Other changes</u> | | | | |
| Dividend declared | - | - | 46,875,000 | 46,875,000 |
| Total liability related other changes | - | - | 46,875,000 | 46,875,000 |
| Closing as at 30 June 2018 | 82,488,416 | 413,354,643 | - | 495,843,059 |

31 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 | |
|-------------------------|--------------------|------------------|
| | 2018 | 2017 |
| | ----- Rupees ----- | |
| Managerial remuneration | 1,680,000 | 1,680,000 |
| Leave encashment | 150,000 | - |
| Utilities | 1,017,916 | 774,062 |
| Medical expenses | 539,800 | 329,291 |
| | 3,387,716 | 2,783,353 |
| Number of persons | 1 | 1 |

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| | Executive Director | | Executives | |
|-------------------------|--------------------|-----------|------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | Rupees | | | |
| Managerial remuneration | - | 2,380,000 | 3,752,000 | 5,320,000 |
| Retirement benefits | - | 187,000 | 245,667 | 348,333 |
| Leave encashment | - | 340,000 | 228,334 | 410,000 |
| Utilities | - | 429,618 | 268,000 | 380,000 |
| Medical expenses | - | 562,828 | 92,775 | 138,525 |
| | - | 3,899,446 | 4,586,776 | 6,596,858 |
| Number of persons | - | 1 | 2 | 3 |

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

31.1 The Company has employed following number of persons:

| | 2018 | 2017 |
|---|---------------------|-------|
| | (Number of persons) | |
| Number of employees as at 30 June | 1,239 | 1,221 |
| Number of factory employees as at 30 June | 1,205 | 1,188 |
| Average number of employees during the year | 1,237 | 1,273 |
| Average number of factory employees during the year | 1,203 | 1,239 |

32 Plant capacity and actual production

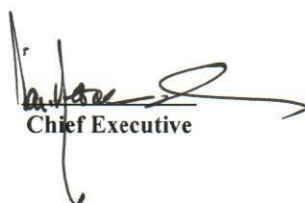
| | Unit | 2018 | 2017 |
|--|------|------------|------------|
| <u>Spinning</u> | | | |
| Number of spindles installed | No. | 42,240 | 42,240 |
| Plant capacity on the basis of utilization | | | |
| converted into 20s count | Kgs | 17,046,180 | 17,046,180 |
| Actual production converted into 20s count | Kgs | 18,244,314 | 17,877,671 |

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

33 Date of authorization for issue

These unconsolidated financial statements were authorized for issue on 10 OCT 2018 by the Directors of the Company.

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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 , 2018

| 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, 2018

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