

AUDITORS' REPORT TO THE MEMBERS

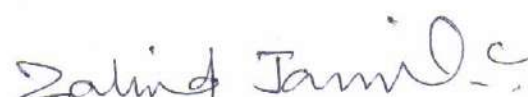
We have audited the annexed balance sheet of **ANJUM TEXTILE MILLS (PVT.) LTD.** as at **JUNE 30, 2017** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended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

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion-
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - i) the expenditure incurred during the period was for the purpose of the Company's business; and
 - ii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **JUNE 30, 2017** and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980- (XVIII of 1980).

FAISALABAD:
Date: September 26, 2017


CHARTERED ACCOUNTANTS
(Engagement Partner: Muhammad Amin)

ANJUM TEXTILE MILLS (PVT.) LTD.
BALANCE SHEET
AS AT JUNE 30, 2017

	NOTE	2017 RUPEES	2016 RUPEES		NOTE	2017 RUPEES	2016 RUPEES
EQUITY & LIABILITIES				ASSETS			
SHARE CAPITAL AND RESERVES				NON CURRENT ASSETS			
Share capital				Tangible			
Authorised				Property, plant and equipment			
2,000,000 (2016: 2,000,000) Ordinary				Operating fixed assets	13	771,673,639	765,479,546
shares of Rs. 100/- each		<u>200,000,000</u>	<u>200,000,000</u>	Capital work in progress	14	6,302,550	-
Issued, subscribed & paid up	3	200,000,000	200,000,000				
Reserves							
Revenue							
Unappropriated profit		<u>135,935,155</u>	<u>171,415,214</u>				
		<u>335,935,155</u>	<u>371,415,214</u>				
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	4	165,514,918	175,454,993	Long term deposits	15	7,727,210	7,199,160
NON CURRENT LIABILITIES							
Long term financing	5	190,420,009	110,438,913				
Liabilities against assets subject to finance lease	6	1,513,538	3,361,339				
Deferred liabilities	7	92,731,677	113,804,704				
CURRENT LIABILITIES				CURRENT ASSETS			
Trade and other payables	8	93,709,113	93,405,821	Store, spares and loose tools	16	34,858,438	32,141,860
Mark-up accrued on loans	9	9,994,930	7,303,369	Stock in trade	17	191,531,287	127,264,776
Short term borrowings	10	241,832,787	132,577,834	Trade debts	18	1,292,361	1,165,024
Current portion of non current liabilities	11	15,245,497	47,022,804	Loans & advances	19	10,064,119	17,349,686
				Trade deposits & short term prepayments	20	3,254,848	3,071,481
				Tax refunds due from the Government	21	35,423,664	23,569,564
				Cash and bank balances	22	84,769,508	77,543,894
		<u>360,782,327</u>	<u>280,309,828</u>			<u>361,194,225</u>	<u>282,106,285</u>
CONTINGENCIES & COMMITMENTS	12	-	-			<u>1,146,897,624</u>	<u>1,054,784,991</u>
		<u>1,146,897,624</u>	<u>1,054,784,991</u>				

The annexed notes 1 to 36 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

ANJUM TEXTILE MILLS (PVT.) LTD.
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	NOTE	2017 RUPEES	2016 RUPEES
Sales	23	1,387,764,685	1,254,081,717
Cost of sales	24	<u>1,369,085,111</u>	<u>1,223,069,111</u>
Gross profit		18,679,574	31,012,606
Operating expenses			
Administrative	25	<u>42,179,397</u>	<u>40,147,515</u>
Operating loss		(23,499,823)	(9,134,909)
Other income	26	20,780	2,060,659
Other charges			
Finance cost	27	<u>39,521,633</u>	<u>32,000,888</u>
Loss before taxation		(63,000,676)	(39,075,138)
Taxation	28	<u>(15,985,518)</u>	<u>(16,436,649)</u>
Net loss for the year		<u><u>(47,015,158)</u></u>	<u><u>(22,638,489)</u></u>

The annexed notes 1 to 36 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

**ANJUM TEXTILE MILLS (PVT.) LTD.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017**

	NOTE	2017 RUPEES	2016 RUPEES
Net loss for the year		(47,015,158)	(22,638,489)
Other comprehensive income / (loss)			
Items that will not be subsequently reclassified to profit & loss:			
Revaluation surplus realized during the year			
-Incremental depreciation		9,570,399	10,453,390
-Disposal of assets		369,676	549,223
		9,940,075	11,002,613
Remeasurement of defined benefit liability		1,595,024	(2,293,885)
Total comprehensive loss for the year		<u>(35,480,059)</u>	<u>(13,929,761)</u>

The annexed notes 1 to 36 form an integral part of these financial statements.


CHIEF EXECUTIVE



DIRECTOR

ANJUM TEXTILE MILLS (PVT.) LTD.
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	2017 RUPEES	2016 RUPEES
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(63,000,676)	(39,075,138)
Adjustments of non cash / non operating items		
Depreciation	63,521,221	67,606,585
Finance cost	39,521,633	32,000,888
Staff retirement benefits - gratuity	9,965,982	16,363,662
Loss / (gain) on sale of operating fixed assets	1,296,370	(1,132,774)
	114,305,206	114,838,361
Operating profit before working capital changes	51,304,530	75,763,223
Changes in working capital		
(Increase) / decrease in current assets		
Store, spares and loose tools	(2,716,578)	(5,314,078)
Stock in trade	(64,266,511)	(42,958,872)
Trade debts	(127,337)	1,370,159
Loans & advances	7,285,567	(11,950,342)
Trade deposits & short term prepayments	(183,367)	1,782,740
Tax refunds due from the Government	(10,892,138)	1,184,108
(Decrease) / increase in current liabilities		
Trade and other payables	303,292	46,727,656
	(70,597,072)	(9,158,629)
Cash (used in) / generated from operations	(19,292,542)	66,604,594
Taxes paid	(8,227,834)	(8,673,027)
Staff retirement benefits - gratuity paid	(6,192,595)	(3,246,398)
Finance cost paid	(36,830,072)	(33,421,264)
	(51,250,501)	(45,340,689)
Net cash (used in) / generated from operating activities	(70,543,043)	21,263,905
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of operating fixed assets	(71,651,684)	(1,238,898)
Proceeds from sale of operating fixed assets	640,000	4,490,000
Capital work in progress	(6,302,550)	(754,328)
Long term deposits	(528,050)	(985,250)
Net cash (used in) / generated from investing activities	(77,842,284)	1,511,524
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	109,254,953	27,278,102
Liabilities against assets subject to finance lease	(4,405,864)	(6,900,913)
Long term financing	50,761,852	(42,618,712)
Net cash generated from / (used in) financing activities	155,610,941	(22,241,523)
Net increase in cash and cash equivalents (A+B+C)	7,225,614	533,906
Cash and cash equivalents at the beginning of the year	77,543,894	77,009,988
Cash and cash equivalents at the end of the year	84,769,508	77,543,894

The annexed notes 1 to 36 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

**ANJUM TEXTILE MILLS (PVT.) LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017**

PARTICULARS	SHARE CAPITAL	REVENUE RESERVES	TOTAL
		UNAPPROPRIATED PROFIT	
Rupees			
Balances as on July 01, 2015	200,000,000	185,344,975	385,344,975
Net loss for the year	-	(22,638,489)	(22,638,489)
Other comprehensive income for the year	-	8,708,728	8,708,728
Total comprehensive loss for the year	-	(13,929,761)	(13,929,761)
Balances as on June 30, 2016	200,000,000	171,415,214	371,415,214
Net loss for the year	-	(47,015,158)	(47,015,158)
Other comprehensive income for the year	-	11,535,099	11,535,099
Total comprehensive loss for the year	-	(35,480,059)	(35,480,059)
Balances as on June 30, 2017	200,000,000	135,935,155	335,935,155

The annexed notes 1 to 36 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

ANJUM TEXTILE MILLS (PVT.) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. Status and activities

Anjum Textile Mills (Private) Limited was incorporated in Punjab, Pakistan as on April, 1984 as a private limited company under the Companies Ordinance, 1984. The registered office of the company is situated at west canal road, adjacent Faisal Garden, Faisalabad. The manufacturing unit of the company is situated at 42 KM sheikhupura road, Faisalabad. The principal business of the company is manufacture and sale of yarn.

2. Significant accounting policies

2.1. Accounting convention and basis of preparation

These financial statements have been prepared on the basis of "historical cost" convention except that certain operating fixed assets have been stated at revalued amounts and staff retirement benefits - gratuity carried at present value. Moreover, these financial statements have been prepared on accrual basis except for cash flow information.

2.2. Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. As per the requirements of circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP), companies, the financial year of which closes on or before June 30, 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984, and the requirements of the Companies Ordinance, 1984 and the directives issued by the SECP. Where the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with requirements of IFRS, the requirements of the Companies Ordinance, 1984, or the directives issued by the SECP prevail.

2.3. Standards, amendments to standards and interpretations becoming effective in current period

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	1-Jul-16
		1-Jul-16
IFRS 7	Financial Instruments: Disclosures (Amendments)	1-Jan-17
IFRS 11	Joint Arrangements (Amendments)	1-Jan-17
IAS 7	Statement of Cash Flows (Amendments)	1-Jan-17
IAS 12	Income Taxes (Amendments)	

2.4. Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain new standards, amendments and interpretations that are mandatory for accounting periods of the Company beginning on or after July 1, 2016 but are considered not to be relevant to the Company's operations and are, therefore not disclosed in these financial statements.

2.5. Standards, amendments to standards and interpretations becoming effective in future periods

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

		Effective date (accounting periods beginning on or after)
IFRS 15	Revenue from Contracts with Customers	1-Jan-18
IFRS 16	Leases	1-Jan-19
IFRS 9	Financial Instruments	1-Jan-18
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1-Jan-18
IFRIC 23	Uncertainty over Income Tax Treatments	1-Jan-19

2.6. Taxation

2.6.1. Current

Provision for current taxation is based on taxable income at the current tax rates after taking into account applicable tax credits, rebates and exemptions available under the law. Current year's taxation is charged under section 113 and section 169 read with section 153(1A) & 154 of The Income Tax Ordinance 2001.

2.6.2. Deferred

Deferred tax is accounted for using the liability method for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for the financial reporting purpose. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The company also recognizes deferred tax liability on surplus on revaluation of assets which is adjusted against the related surplus as per the requirements of revised IAS 12 "Income Taxes".

2.7. Staff retirement benefits - gratuity

The Company operates a defined benefit plan of unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. All remeasurement adjustments are recognized in other comprehensive income as they occur.

The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for remeasurement adjustments.

2.8. Property, plant and equipment

2.8.1. Owned

Property, plant and equipment including all additions except land are stated at cost/revaluation less accumulated depreciation and any identified impairment losses.

Depreciation on additions is charged from the month in which assets are put to use and no depreciation is charged for the month in which asset is disposed off. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Impairment loss or its reversal, if any is also charged to profit. Where an impairment loss is recognized, depreciation charge is adjusted to allocate the asset's revised carrying amount over its estimated useful life. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gain or loss on disposal of property, plant and equipment, if any, are taken to profit and loss account.

2.8.2. Leased

Leased assets in terms of which the company assumes substantially all risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are recognized at lower of present value of minimum lease payments under the lease arrangement and fair value of assets acquired, each determined at the inception of lease. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payment are apportioned between finance charges and reduction of the liability against assets subject to finance leases so as to achieve a constant rate of interest on the remaining balance of liability. Financial charges are charged directly against income. Depreciation is charged at the rates specified in fixed assets schedule.

2.8.3. Capital work in progress

All costs / expenditures connected with specific assets, incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

2.9. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. All other borrowing costs are charged to profit and loss account during the year.

2.10. Store, spares and loose tools

These are valued at cost, determined on moving average method less allowance for obsolete and slow moving items. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.11. Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw materials

In hand

Weighted average cost

In transit

Invoice value and related expenses incurred up to balance sheet date.

Work in process

Cost of direct material, labor and appropriate manufacturing overheads based on normal capacity.

Finished goods /
Waste

Cost or net realizable value, whichever is lower. Net realizable value represents the estimated selling price less estimated cost necessary to make the sale.

2.12. Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

2.13. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks and highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

2.14. Non-current assets held for sale

Non-current assets (or disposal group) are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal group) classified as held for sale are measured at the lower of its previous carrying amount and fair value less costs to sell.

Non-current assets (or disposal group) classified as held for sale that no longer meet the criteria of classification as held for sale are transferred to non-current assets at the lower of:

- Its carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognised had the assets not been classified as held for sale, and
- Its recoverable amount at the date of the subsequent decision not to sell.

Gains and losses on disposal of non-current assets (or disposal group) held for sale are included in current income.

2.15. Trade and other payables

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the company or not.

2.16. Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying 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 the current best estimate.

2.17. Revenue recognition

Revenue from sales is recognized on dispatch/provision of goods/services to the customers. Export goods are considered dispatched when shipped on board.

2.18. Foreign currency transactions

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the date of transaction.

2.19. Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the company has a legal enforceable right to offset the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.20. Impairment

An assessment is made at each balance sheet date to determine whether there is an indication for impairment of any asset or group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the profit and loss account.

2.21. Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the company's policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of the assets and the liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables, slow moving inventory, deferred taxation and staff retirement benefits. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

	NOTE	2017 RUPEES	2016 RUPEES
3. Issued, subscribed and paid up capital			
1,800,000 (2016: 1,800,000) Ordinary shares of Rs. 100/- each fully paid in cash		180,000,000	180,000,000
200,000 (2016:200,000) Ordinary shares of Rs. 100/- each issued as fully paid in cash paid up bonus shares		20,000,000	20,000,000
		<u>200,000,000</u>	<u>200,000,000</u>
4. Surplus on revaluation of operating fixed assets			
Balance as on July 01,	4.1	227,414,726	243,595,040
Incremental depreciation for the year		(13,870,144)	(15,372,633)
Surplus realized on disposal of assets during the year		(535,763)	(807,681)
		<u>(14,405,907)</u>	<u>(16,180,314)</u>
		213,008,819	227,414,726
Less: Related deferred tax liability			
Opening balance		51,959,733	57,137,434
Transferred to unappropriated profit on account of			
-incremental depreciation		(4,299,745)	(4,919,243)
-disposal of assets		(166,087)	(258,458)
		<u>47,493,901</u>	<u>51,959,733</u>
Balance as on June 30,		<u>165,514,918</u>	<u>175,454,993</u>
4.1. It represents surplus on revaluation of free hold land, building thereon, plant & machinery and electric installation & appliances on present market values that was carried out by independent valuer on March 14, 2012.			
5. Long term financing			
Secured - Under mark-up arrangements			
From banking companies			
Bank Alfalah Limited - Term Finance- I & II	5.1 & 5.2	190,081,373	110,100,277
Unsecured - Interest free			
From directors	5.3	338,636	338,636
		<u>190,420,009</u>	<u>110,438,913</u>
5.1. Term finance I carries markup at the rate of 6 month KIBOR + 2% p.a. (2016: 6 month KIBOR + 2% p.a.) with quarterly servicing. It is secured against 1st exclusive charge of Rs. 530 million over the entire fixed assets of the company. It was payable in 60 monthly installments of Rs.3,551,604/- each starting from February 28, 2015. However it has been restructured during the year. As a results, total tenor has been increased by two years with effect from October 15, 2016. The next instalment is due on October 15, 2018.			
Term finance-II was obtained on September 30, 2016 amounting to Rs. 67 million, under same mark up and same securities as mentioned above for TF-I. Repayment of this loan shall be made in 60 monthly installments of Rs. 1,116,667/- each starting from February 28, 2017.			
5.2. Opening balance July 01			
Obtained during the year		152,719,525	195,338,237
Paid / adjusted during the year		67,000,000	-
		<u>(16,238,148)</u>	<u>(42,618,712)</u>
		203,481,377	152,719,525
Transfer to current liabilities			
Payable within one year		(13,400,004)	(42,619,248)
		<u>190,081,373</u>	<u>110,100,277</u>
5.3. This amount is not repayable within 12 months from the balance sheet date and terms of repayment have not been decided so far.			
6. Liabilities against assets subject to finance lease			
Opening balance		7,764,895	8,535,308
Obtained during the year		-	6,130,500
		<u>7,764,895</u>	<u>14,665,808</u>
Paid during the year		(4,405,864)	(6,900,913)
		<u>3,359,031</u>	<u>7,764,895</u>
Current portion shown under current liabilities		(1,845,493)	(4,403,556)
		<u>1,513,538</u>	<u>3,361,339</u>

6.1. Reconciliation of minimum lease payments and their present value is given below:

Particulars	2017 (RUPEES)			2016 (RUPEES)		
	Minimum lease payments	Finance cost for future periods	Present value of minimum lease payments	Minimum lease payments	Finance cost for future periods	Present value of minimum lease payments
Payable within one year	2,029,365	183,872	1,845,493	4,959,670	556,114	4,403,556
Payable after one year but not more than five years	1,524,682	11,144	1,513,538	3,560,350	199,011	3,361,339
Total	3,554,047	195,016	3,359,031	8,520,020	755,125	7,764,895

6.2. It represents finance obtained against vehicle under finance lease liability. The purchase option is available to the company on payment of last installment and surrender of deposit paid under the agreement. The liability represents total minimum lease payments discounted at the rate ranging from 6 months KIBOR + 5.75% to 6.00% p.a (2016: 6 month KIBOR + 5.75% p.a to 6.00% p.a). There is no major restriction imposed by leasing company.

	NOTE	2017 RUPEES	2016 RUPEES
7. Deferred liabilities			
Deferred taxation	7.1	57,135,434	79,670,219
Staff retirement benefits - gratuity	7.2	35,596,243	34,134,485
		<u>92,731,677</u>	<u>113,804,704</u>
7.1. Deferred taxation			
Deferred tax			
Opening balance		79,670,219	97,036,190
Deferred tax liability reversed during the year related to:			
Profit and loss account		(23,251,390)	(16,631,928)
Statement of comprehensive income		716,605	(734,043)
Closing balance	7.1.1	<u>57,135,434</u>	<u>79,670,219</u>
7.1.1. Deferred tax liability			
Accelerated tax depreciation		125,820,569	132,854,567
Deferred tax assets			
Provision for gratuity		(11,034,835)	(10,923,035)
Finance lease liability		(1,041,300)	(2,484,766)
Carried forward losses		(56,609,000)	(39,776,547)
		<u>(68,685,135)</u>	<u>(53,184,348)</u>
Net deferred tax liability		<u>57,135,434</u>	<u>79,670,219</u>
Deferred tax liability recognized		<u>57,135,434</u>	<u>79,670,219</u>
7.2. Staff retirement benefits - gratuity			
Amount recognized in the balance sheet			
Present value of defined benefit obligation	7.2.1	<u>35,596,243</u>	<u>34,134,485</u>
7.2.1. Present value of defined benefit obligation			
Present value of defined benefit obligation		34,134,485	18,723,336
Transitional provision		-	6,672,455
Current service cost		7,172,545	6,766,385
Interest cost on defined benefit obligation		2,793,437	2,924,822
Benefits paid		(6,192,595)	(3,246,398)
Remeasurement (gain) / loss on obligation	7.2.3	(2,311,629)	2,293,885
		<u>35,596,243</u>	<u>34,134,485</u>
7.2.2. Expenses to be charged to P&L			
Current service cost		7,172,545	6,766,385
Interest cost on defined benefit obligation		2,793,437	2,924,822
Transitional provision		-	6,672,455
		<u>9,965,982</u>	<u>16,363,662</u>

	NOTE	2017 RUPEES	2016 RUPEES
7.2.3. Total remeasurements chargeable in other comprehensive income			
Remeasurements:			
Actuarial gain from changes in financial assumptions		(29,547)	2,293,885
Experience adjustments		(2,282,082)	-
		<u>(2,311,629)</u>	<u>2,293,885</u>
7.2.4. Changes in net liability			
Balance sheet Liability		34,134,485	18,723,336
Transitional provisional			6,672,455
Expense chargeable to P&L		9,965,982	9,691,207
Remeasurements chargeable in other comprehensive income		(2,311,629)	2,293,885
Benefits paid		<u>(6,192,595)</u>	<u>(3,246,398)</u>
		<u>35,596,243</u>	<u>34,134,485</u>
7.2.5. Significant actuarial assumptions			
Discount rate		7.75% p.a.	9% p.a.
Expected rate of increase in salary		6.75% p.a.	8% p.a.
Average expected remaining working life time of employees		4.2 years	5 years
7.2.6. Year end sensitivity analysis (± 100 bps) on defined benefit obligation			
Discount rate + 100 bps		33,223,436	31,547,370
Discount rate - 100 bps		38,348,405	36,984,185
Salary increase + 100 bps		38,348,405	35,675,426
Salary increase - 100 bps		33,181,780	32,648,214
The average duration of the defined benefit obligation is 7 years.			
8. Trade and other payables			
Creditors		61,766,122	40,393,112
Advances from customers		10,634,519	34,290,334
Accrued charges		21,175,221	18,407,917
Book overdrawn		6,854	-
Income tax withheld		-	3,510
Sales tax payable		<u>126,397</u>	<u>310,948</u>
		<u>93,709,113</u>	<u>93,405,821</u>
9. Mark-up accrued on loans			
Long term financing		4,176,147	3,351,688
Short term borrowings		<u>5,818,783</u>	<u>3,951,681</u>
		<u>9,994,930</u>	<u>7,303,369</u>
10. Short term borrowings			
Secured			
From banking companies			
Under mark-up arrangements	Limit		
Cash finance (Pledge)	450 M (2016: 450 M)	10.1	168,721,240
Cash finance (Hypo)	70 M (2016: 70 M)	10.2	69,961,547
Term Finance (TF)	15.6 M (2016: NIL)	10.3	3,150,000
			<u>241,832,787</u>
			<u>132,577,834</u>
10.1. These carry mark-up at the rate of 3 months KIBOR + 1.75% (2016: 3 months KIBOR + 1.75%) for Bank Alfalah Limited and 3 months KIBOR + 1.75% (2016: 3 months KIBOR + 2.25%) for National Bank of Pakistan. These are secured against pledge of raw material and finished goods and are further secured by personal guarantees of all directors of the company. National Bank of Pakistan has also obtained ranking charge on current assets of the company amounting to Rs.335 million.			
10.2. These carry mark-up at the rate of 3 months KIBOR + 2% (2016: 3 months KIBOR + 2.25%) for National Bank of Pakistan and 3 months KIBOR + 2% (2016: 3 months KIBOR + 2%) for Bank Alfalah Limited. These are secured against hypothecation of stocks of the company. Cash finance from National Bank of Pakistan is further secured by 1st charge of Rs. 65 million on personal property of the director besides personal guarantees of all the directors of the company.			
10.3. It represents loan from Bank Alfalah Limited which carries mark-up at the rate of 6 months KIBOR + 2% (2016: NIL). It is secured against 1st exclusive charge on fixed assets of the company amounting to Rs. 530 million and is further secured by personal guarantees of all directors of the company.			
10.4. Total unavailed limits as at balance sheet date are Rs. 293.767 million (2016: Rs. 387.422 million).			

11. Current portion of non current liabilities

Long term financing
Liabilities against assets subject to finance lease

NOTE	2017 RUPEES	2016 RUPEES
	13,400,004	42,619,248
	1,845,493	4,403,556
	<u>15,245,497</u>	<u>47,022,804</u>

12. Contingencies & commitments

12.1. Contingencies

- a. Bank guarantee - SNGPL 16,622,600 16,622,600
- b. Bank guarantee - FESCO 2,384,000 2,384,000
- c. The company filed the writ petition in Honorable Lahore High Court, Lahore regarding unlawful levy / recovery of enhanced Gas Infrastructure Development Cess (GIDC) from July 2012 to March 2015 amounting to Rs. 9.034 million along with late payment surcharge. As per the legal opinion, the instant case of the company is on merit as being an industrial consumer; Sui Northern Gas Pipelines Ltd (SNGPL) cannot recover the unpaid Cess under the first proviso of Section 8 of GIDC Act, 2015. It is further anticipated by company's legal advisor that the above case shall be decided in favor of the company and the sought relief may be permitted after the final recommendations of the Anomaly Committee constituted by the Honorable Lahore High Court, Lahore.
- d. The company is in dispute with Sui Northern Gas Pipelines Ltd. (SNGPL) against the alleged demand of arrears of gas bill on three months average basis of Rs. 9,563,011/- for the month of January-2017 during which the installed gas meter did not record reading as a result of malfunction. The company has challenged the whole demand raised as hypothetically high and without taking consideration of winter gas disruptions and consumption of standby WAPDA power. The matter is pending decision with the Review Committee of SNGPL, Sheikhpura. The company has deposited an amount under protest of Rs. 6,596,193/- against the said demand as of the balance sheet date.

12.2. Commitments

Letter of credit

8,759,620 68,269,000

13. Operating fixed assets

2017									
PARTICULARS	GROSS CARRYING AMOUNT			DEPRECIATION				W.D.V AS AT 30-06-2017	RATE %
	TOTAL AS AT 01-07-2016	ADDITIONS/ (DELETIONS)/ADJUSTMENT	TOTAL AS AT 30-06-2017	ACCUMULATED AS AT 01-07-2016	ADJUSTMENT	FOR THE YEAR	ACCUMULATED AS AT 30-06-2017		
Freehold									
Land	72,927,000		72,927,000	-	-	-	-	72,927,000	-
Building	242,786,209		242,786,209	40,856,160	-	10,096,502	50,952,662	191,833,547	5
Plant and machinery	541,679,301	71,450,214 (3,200,000)	609,929,515	146,889,914	(1,263,630)	41,770,872	187,397,156	422,532,359	10
Electric installation and appliances	110,905,083		110,905,083	37,184,994	-	7,372,009	44,557,003	66,348,080	10
Factory equipments	523,225		523,225	303,498	-	21,973	325,471	197,754	10
Office equipments	663,959		663,959	301,252	-	36,271	337,523	326,436	10
Computers	918,310	68,500	986,810	654,763	-	96,189	750,952	235,858	30
Furniture & fixture	1,872,231		1,872,231	523,645	-	134,859	658,504	1,213,727	10
Vehicles	19,636,252	132,970	19,769,222	11,314,743	-	1,673,157	12,987,900	6,781,322	20
	991,911,570	71,651,684 (3,200,000)	1,060,363,254	238,028,969	(1,263,630)	61,201,832	297,967,171	762,396,083	
Leasehold									
Vehicles	15,853,413	-	15,853,413	4,256,468	-	2,319,389	6,575,857	9,277,556	20
RUPEES	1,007,764,983	71,651,684 (3,200,000)	1,076,216,667	242,285,437	(1,263,630)	63,521,221	304,543,028	771,673,639	
2016									
PARTICULARS	GROSS CARRYING AMOUNT			DEPRECIATION				W.D.V AS AT 30-06-2016	RATE %
	TOTAL AS AT 01-07-2015	ADDITIONS/ (DELETIONS)/ADJUSTMENT	TOTAL AS AT 30-06-2016	ACCUMULATED AS AT 01-07-2015	ADJUSTMENT	FOR THE YEAR	ACCUMULATED AS AT 30-06-2016		
Freehold									
Land	72,927,000	-	72,927,000	-	-	-	-	72,927,000	-
Building	231,677,194	11,109,015	242,786,209	30,276,987	-	10,579,173	40,856,160	201,930,049	5
Plant and machinery	544,179,301	(2,500,000)	541,679,301	103,755,082	(745,401)	43,880,233	146,889,914	394,789,387	10
Electric installation and appliances	110,895,083	10,000	110,905,083	28,994,799	-	8,190,195	37,184,994	73,720,089	10
Factory equipments	523,225	-	523,225	279,084	-	24,414	303,498	219,727	10
Office equipments	615,959	48,000	663,959	262,285	-	38,967	301,252	362,707	10
Computers	809,710	108,600	918,310	572,843	-	81,920	654,763	263,547	30
Furniture & fixture	1,872,231	-	1,872,231	373,802	-	149,843	523,645	1,348,586	10
Vehicles	18,404,509	6,433,385 (5,201,642)	19,636,252	9,995,452	3,082,099 (3,599,015)	1,836,207	11,314,743	8,321,509	20
	981,904,212	17,709,000 (7,701,642)	991,911,570	174,510,334	3,082,099 (4,344,416)	64,780,952	238,028,969	753,882,601	
Leasehold									
Vehicles	15,084,000	7,135,413 (6,366,000)	15,853,413	4,512,934	(3,082,099)	2,825,633	4,256,468	11,596,945	20
RUPEES	996,988,212	24,844,413 (14,067,642)	1,007,764,983	179,023,268	3,082,099 (7,426,515)	67,606,585	242,285,437	765,479,546	

13.1. Depreciation for the year has been allocated as follows;

	NOTE	2017 RUPEES	2016 RUPEES
Cost of goods manufactured (Refer note # 24.1)		59,261,356	62,674,015
Administrative (Refer note # 25)		4,259,865	4,932,570
		<u>63,521,221</u>	<u>67,606,585</u>

13.2. Detail of disposal of property, plant and equipment;

Description	Gross carrying value	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
-----Rupees-----							
Machinery	3,200,000	1,263,630	1,936,370	640,000	(1,296,370)	Negotiation	Salman Noman Enterprises Limited. 76-B New Muslim Town, Lahore.
Total	3,200,000	1,263,630	1,936,370	640,000	(1,296,370)		

13.3. Had there been no revaluation the related figures of freehold land, building on freehold land and plant & machinery as on June 30, 2017 would have been as follows:

Particulars	Cost Rupees	Accumulated Depreciation Rupees	WDV Rupees
Land	11,806,287	-	11,806,287
Building	211,032,953	74,811,178	136,221,775
Plant and Machinery	650,265,508	289,456,219	360,809,289
Electric installation and appliances	75,824,162	44,029,346	31,794,816
	<u>948,928,910</u>	<u>408,296,743</u>	<u>540,632,167</u>

14. Capital Work in progress

Building

Balances as at July 1,	-	10,354,687
Capital expenditure incurred during the year	6,302,550	754,328
Transferred to operating fixed assets	-	(11,109,015)
Balances as at June 30,	<u>6,302,550</u>	<u>-</u>

15. Long term deposits

Considered good

Securities

Electricity	6,192,510	6,192,510
Telephone and mobiles	21,400	21,400
Lease key money	<u>1,513,300</u>	<u>985,250</u>
	<u>7,727,210</u>	<u>7,199,160</u>

16. Store, spares and loose tools

Store	9,844,909	10,044,950
Spares	21,496,898	19,078,826
Loose tools	<u>3,516,631</u>	<u>3,018,084</u>
	<u>34,858,438</u>	<u>32,141,860</u>

16.1. It may includes items that result in fixed capital expenditure but are not distinguishable.

17. Stock in trade

Raw material		146,734,760	56,491,365
Work in process		9,510,103	8,116,953
Finished goods	17.1	<u>35,286,424</u>	<u>62,656,458</u>
		<u>191,531,287</u>	<u>127,264,776</u>

17.1 Finished goods comprising of fabric amounting to Rs.9,627,230/- (2016:Rs.9,627,230/-) are at net realizable value.

	NOTE	2017 RUPEES	2016 RUPEES
18. Trade debts			
Considered good			
Local - unsecured		<u>1,292,361</u>	<u>1,165,024</u>
19. Loans & advances			
Considered good			
Advances			
Staff			
Against salary	19.1 & 19.2	2,728,530	3,302,210
Against expense		2,256,918	2,380,496
Supplies & services		4,118,155	4,704,569
Letter of credit		960,516	6,962,411
		<u>10,064,119</u>	<u>17,349,686</u>
19.1. It include advances adjustable against staff salary.			
19.2. Prior year figures have been reclassified in these financial statements for better presentation. (Refer note# 34.1).			
20. Trade deposits & short term prepayments			
Deposits			
Against vehicle		200,000	-
Prepayments			
Bank guarantee commission		262,033	258,539
Insurance		2,792,815	2,812,942
		<u>3,254,848</u>	<u>3,071,481</u>
21. Tax refunds due from the Government			
Income tax		16,669,463	15,707,501
Sales tax		18,754,201	7,862,063
		<u>35,423,664</u>	<u>23,569,564</u>
22. Cash and bank balances			
Cash in hand		79,866,003	70,295,555
Cash with banks			
- in current accounts		4,903,505	7,248,339
		<u>84,769,508</u>	<u>77,543,894</u>
23. Sales			
Local			
-Yarn		1,381,012,304	1,286,044,226
-Waste		9,557,295	8,513,206
		<u>1,390,569,599</u>	<u>1,294,557,432</u>
Less: Sales tax		-	(37,705,556)
Less : Commission	23.1	(2,804,914)	(2,770,159)
		<u>1,387,764,685</u>	<u>1,254,081,717</u>
23.1. Prior year figures have been reclassified in these financial statements for better presentation. (Refer note # 34.1).			
24. Cost of sales			
Cost of goods manufactured	24.1	1,341,715,077	1,259,097,373
Finished goods			
Opening stock		62,656,458	26,628,196
Closing stock		(35,286,424)	(62,656,458)
		<u>27,370,034</u>	<u>(36,028,262)</u>
Cost of sales		<u>1,369,085,111</u>	<u>1,223,069,111</u>

	NOTE	2017 RUPEES	2016 RUPEES
24.1. Cost of goods manufactured			
Raw material consumed	24.1.1	871,607,866	804,130,749
Fuel and power		224,039,325	215,804,734
Salaries, wages & benefits	24.1.2	128,064,422	117,685,864
Packing & other material		20,218,102	18,747,965
Store & spares consumed		32,867,019	32,386,979
Repair & maintenance		1,663,379	1,785,351
Insurance		4,450,808	4,227,547
Depreciation (refer note 13.1)		59,261,356	62,674,015
Other materials, services & overheads		935,950	970,050
		<u>1,343,108,227</u>	<u>1,258,413,254</u>
Work in process			
Opening stock		8,116,953	8,801,072
Closing stock		(9,510,103)	(8,116,953)
		<u>(1,393,150)</u>	<u>684,119</u>
Cost of goods manufactured		<u><u>1,341,715,077</u></u>	<u><u>1,259,097,373</u></u>

24.1.1. Raw material consumed

Purchases include direct expenses			
Cotton		616,519,523	468,863,304
Polyester		345,331,738	342,882,174
		<u>961,851,261</u>	<u>811,745,478</u>
Stock			
Opening		56,491,365	48,876,636
Closing		(146,734,760)	(56,491,365)
		<u>(90,243,395)</u>	<u>(7,614,729)</u>
		<u><u>871,607,866</u></u>	<u><u>804,130,749</u></u>

24.1.2. It includes provision for staff retirement benefits - gratuity amounting to Rs. 8,971,377, /- (2016: Rs. 14,620,979/-).

25. Administrative

Directors' remuneration	25.1	9,000,000	9,000,000
Salaries & benefits	25.2	19,274,248	17,077,414
Telephone, mobile and communications		454,165	450,132
Electricity		489,073	652,893
Insurance		1,285,052	1,286,043
Printing and stationery		103,651	119,591
Vehicle running and maintenance		2,627,946	2,295,917
Repair & maintenance		475,261	397,899
Traveling		225,112	127,856
Entertainment		489,678	941,046
Rent, rates & taxes		1,138,606	642,267
News paper & periodicals		6,151	12,590
Audit fee		400,000	400,000
Legal & professional		299,580	315,100
Charity & donation		1,241,589	736,800
Depreciation (refer note 13.1)		4,259,865	4,932,570
Sales tax expense / recovery u/s 48		72,733	394,723
Others		336,687	364,674
		<u><u>42,179,397</u></u>	<u><u>40,147,515</u></u>

25.1. Directors' remuneration

No. of persons	2017			2016		
	CEO 1	Director 1	Total 2	CEO 1	Director 1	Total 2
	----- R u p e e s -----					
Remuneration for services	5,454,545	2,727,273	8,181,818	5,454,545	2,727,273	8,181,818
Medical allowance	545,455	272,727	818,182	545,455	272,727	818,182
	<u>6,000,000</u>	<u>3,000,000</u>	<u>9,000,000</u>	<u>6,000,000</u>	<u>3,000,000</u>	<u>9,000,000</u>

25.1.1. Chief Executive Officer and director of the company are provided with company maintained vehicles.

25.2. It includes provision for staff retirement benefits - gratuity amounting to Rs. 994,605/- (2016: Rs. 1,742,683 /-).

	NOTE	2017 RUPEES	2016 RUPEES
26. Other Income			
From financial assets			
Scrap sale / others	26.1	1,317,150	927,885
From assets other than financial assets			
(Loss) / gain on sale of operating fixed assets		(1,296,370)	1,132,774
		<u>20,780</u>	<u>2,060,659</u>
26.1. Scrap sale			
Gross sale		1,541,066	1,085,625
Less: sales tax		223,916	157,740
		<u>1,317,150</u>	<u>927,885</u>
27. Finance cost			
Bank charges & commission		939,456	758,939
Lease finance charges		548,036	998,527
Mark-up on secured loans			
- on long term financing		15,566,346	15,056,249
- on short term borrowings		22,467,795	15,187,173
		<u>39,521,633</u>	<u>32,000,888</u>
28. Taxation			
Current	28.1 & 28.2	6,773,846	735,746
Prior year		492,026	193,576
Deferred		(23,251,390)	(17,365,971)
		<u>(15,985,518)</u>	<u>(16,436,649)</u>

28.1 The relationship between tax expenses and accounting profit has not been presented in these financial statements as the company's current year taxation is based on minimum taxation under the Income Tax Ordinance, 2001.

28.2 The Company has availed tax credit amounting to Rs. 7,145,021/- (2016: Rs. 11,842,051/-) u/s 65B of the Income Tax Ordinance 2001. The tax liability for the current year amounting to Rs. 13,918,867 (2016: Rs. 12,577,797 /-) u/s 113 of the Income Tax ordinance 2001, has been adjusted against the above tax credit.

29. Financial instruments

June 30, 2017							
Particulars	Interest/markup bearing			Non interest/markup bearing			TOTAL
	Maturity up to one year	Maturity more than one year	Sub-total 2017	Maturity up to one year	Maturity more than one year	Sub-total 2017	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets							
Trade debts	-	-	-	1,292,361	-	1,292,361	1,292,361
Loans & advances	-	-	-	4,985,448	-	4,985,448	4,985,448
Cash and bank balances	-	-	-	84,769,508	-	84,769,508	84,769,508
Total	-	-	-	91,047,317	-	91,047,317	91,047,317
Financial liabilities							
Trade and other payables	-	-	-	82,941,343	-	82,941,343	82,941,343
Markup on accrued loans	-	-	-	9,994,930	-	9,994,930	9,994,930
Short term borrowings	241,832,787	-	241,832,787	-	-	-	241,832,787
Long term financing	13,400,004	190,081,373	203,481,377	-	338,636	338,636	203,820,013
Liabilities against assets subject to finance lease	1,845,493	1,513,538	3,359,031	-	-	-	3,359,031
Total	257,078,284	191,594,911	448,673,195	92,936,273	338,636	93,274,909	541,948,104

June 30, 2016

Particulars	Interest/markup bearing			Non interest/markup bearing			TOTAL
	Maturity up to one year	Maturity more than one year	Sub-total 2016	Maturity up to one year	Maturity more than one year	Sub-total 2016	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Financial assets							
Trade debts	-	-	-	1,165,024	-	1,165,024	1,165,024
Loans & advances	-	-	-	5,682,706	-	5,682,706	5,682,706
Cash and bank balances	-	-	-	77,543,894	-	77,543,894	77,543,894
Total	-	-	-	84,391,624	-	84,391,624	84,391,624
Financial liabilities							
Trade and other payables	-	-	-	58,801,029	-	58,801,029	58,801,029
Markup on accrued loans	-	-	-	7,303,369	-	7,303,369	7,303,369
Short term borrowings	132,577,834	-	132,577,834	-	-	-	132,577,834
Long term financing	42,619,248	110,100,277	152,719,525	-	338,636	338,636	153,058,161
Liabilities against assets subject to finance lease	4,403,556	3,361,339	7,764,895	-	-	-	7,764,895
Total	179,600,638	113,461,616	293,062,254	66,104,398	338,636	66,443,034	359,505,288

30. Financial risk management

The company has exposure to the following risks from the use of its 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. Further quantitative disclosures are included throughout these financial statements.

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

30.1. Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. To manage exposure to credit risk, the Company applies credit limits and deal with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions. The carrying amounts of financial assets, against which the Company did not hold any collateral, represent the maximum credit exposure, as specified below:

	2017 RUPEES	2016 RUPEES
Trade debts - unsecured	1,292,361	1,165,024
Bank balances	4,903,505	7,248,339
	<u>6,195,866</u>	<u>8,413,363</u>

The age of trade debts

	2017 (RUPEES)		2016 (RUPEES)	
	Gross debts	Impairment	Gross debts	Impairment
Not past due	1,146,357	-	1,064,715	-
Past due 0 - 365 days	140,426	-	94,731	-
More than 365 days	5,578	-	5,578	-
	<u>1,292,361</u>	<u>-</u>	<u>1,165,024</u>	<u>-</u>

June 30, 2016							
Particulars	Interest/markup bearing			Non interest/markup bearing			TOTAL
	Maturity up to one year	Maturity more than one year	Sub-total 2016	Maturity up to one year	Maturity more than one year	Sub-total 2016	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Financial assets							
Trade debts	-	-	-	1,165,024	-	1,165,024	1,165,024
Loans & advances	-	-	-	5,682,706	-	5,682,706	5,682,706
Cash and bank balances	-	-	-	77,543,894	-	77,543,894	77,543,894
Total	-	-	-	84,391,624	-	84,391,624	84,391,624
Financial liabilities							
Trade and other payables	-	-	-	58,801,029	-	58,801,029	58,801,029
Markup on accrued loans	-	-	-	7,303,369	-	7,303,369	7,303,369
Short term borrowings	132,577,834	-	132,577,834	-	-	-	132,577,834
Long term financing	42,619,248	110,100,277	152,719,525	-	338,636	338,636	153,058,161
Liabilities against assets subject to finance lease	4,403,556	3,361,339	7,764,895	-	-	-	7,764,895
Total	179,600,638	113,461,616	293,062,254	66,104,398	338,636	66,443,034	359,505,288

30. Financial risk management

The company has exposure to the following risks from the use of its 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. Further quantitative disclosures are included throughout these financial statements.

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

30.1. Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. To manage exposure to credit risk, the Company applies credit limits and deal with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions. The carrying amounts of financial assets, against which the Company did not hold any collateral, represent the maximum credit exposure, as specified below:

	2017 RUPEES	2016 RUPEES
Trade debts - unsecured	1,292,361	1,165,024
Bank balances	4,903,505	7,248,339
	<u>6,195,866</u>	<u>8,413,363</u>

The age of trade debts

	2017 (RUPEES)		2016 (RUPEES)	
	Gross debts	Impairment	Gross debts	Impairment
Not past due	1,146,357	-	1,064,715	-
Past due 0 - 365 days	140,426	-	94,731	-
More than 365 days	5,578	-	5,578	-
	<u>1,292,361</u>	<u>-</u>	<u>1,165,024</u>	<u>-</u>

30.3.1. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The company is not exposed to any significant interest rate except as disclosed in the respective notes. The rate of financing and their maturities are disclosed in the respective notes.

	2017 %	2016 %	2017 ----(RUPEES)----	2016
Floating rate instruments				
Financial liabilities				
Long term loans	8.06% to 8.155%	8.51% to 9.05%	190,081,373	110,100,277
Short term borrowings	7.79% to 8.55%	8.35% to 9.51%	241,832,787	132,577,834
Liabilities against assets subject to finance lease	11.81 % to 11.9 %	12.21 % to 13.86 %	3,359,031	7,764,895
			<u>435,273,191</u>	<u>250,443,006</u>

30.3.2. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is exposed to currency risk on foreign creditors. The total foreign currency risk exposure on reporting date amounted to Rs. 0.96 million (2016: Rs. 6.962 million).

At June 30, 2017, had the currency been weakened / strengthened by 5% against the foreign currency with all other variables held constant, profit for the year and equity would have been Rs. 48,026 (2016: Rs. 348,121) higher / lower, mainly as a result of foreign exchange gains / losses on translation of foreign currency denominated trade creditors.

30.4. Fair values of financial assets & liabilities

The carrying value of all financial assets and liabilities reflected in financial statements approximate their fair values. 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.

30.5. Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and/or issue new shares. There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.

	2017 RUPEES	2016 RUPEES
Debt	445,652,800	285,635,995
Total equity	335,935,155	371,415,214
Total capital employed	<u>781,587,955</u>	<u>657,051,209</u>
Gearing ratio	<u>57.02%</u>	<u>43.47%</u>

31. Transactions with related parties

The related parties comprise associated undertakings, directors of the company and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under the relevant notes to financial statements.

32. Plant capacity and actual production

	2017	2016
Spinning unit		
Number of spindles installed	24,888	24,888
Installed capacity per day per bag (31/s count)	380	355
Actual production per day per bag (31/s count)	353	292
No. of shifts per day	3	3

32.1. Reason for shortfall

Power load-shedding by SNGPL and FESCO, periodic maintenance and machinery breakdown, further actual production is planned to meet market demand.

33. Number of employees**2017****2016**

Total number of employees as at June 30,

492

481

Average number of employees for the year

484

475

34. General**34.1.** Following reclassifications have been made in these financial statements;

Account head	Previous classification	Current classification
Commission (Rs. 2,770,159)	Distribution Cost Seprate line item	Sales Seprate line item
Advances to staff (Rs. 5,682,706)	Loan & advances Seprate line item	Against salary Seprate line item
		Against Expense Seprate line item

34.2. Following nomenclature changes have been made in these financial statements;

Previous nomenclature	Current nomenclature
Store & spares	Store & spares consumed
Purchases	Purchases include direct expences

35. Date of authorization for issue

These financial statements have been authorized for issue by the Board of Directors as on September 26, 2017.

36. Figures have been rounded off to the nearest rupee.
CHIEF EXECUTIVE
DIRECTOR