ARSHAD RAHEEM & CO
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of ASIM TEXTILE MILLS LIMITED

Report on the Audit of the Financial Statements

Adverse Opinion

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

In our opinion and to the best of our information and according to the explanations given to us , because of significance of matters stated in Basis of Adverse opinion section of our report, the accompanying financial statements do not give a true and fair view of the state of the Company's affairs as at **June 30, 2018** and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended in accordance with the approved accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 (XIX of 2017).

Basis for Adverse Opinion

As the Company's financial statements indicates that:

(a) The Company has accumulated loss stands at Rs. 213.78 million against paid up share capital of Rs. 151.770 million as at June 30, 2018. Its current liabilities exceed its current assets by Rs. 256.051 million as at financial position date. This situation would have further worsened had the Company accounted for cost of funds as decided by honourable High Court as stated in Para (b) stated below. These factors indicate doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to discharge its liabilities and realized its assets in normal course of business, for which no adjustment has been incorporated in these financial statements.

(b) Short term borrowings includes Morahaba Finance obtained from Faisal Bank Limited amounting to Rs. 417.590 million on 31st October 1999 in respect of which the Company has filed suit against bank for charging illegal profits against principal of Islamic Banking and in contravention of objective clause of Memorandum of Association, Article of Association and against circulars issued by State Bank of Pakistan. Faisal Bank Limited filed a counter suit which has been adjudicated on 04-06-2015 against the Company (Note 18 & 19) as a result of which the Company has to settle the loan along with profit and cost of fund.

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Profit on these loans amounting to Rs 194.161 million have already been provided for; however the litigation is decided against the Company further provision or cost of funds has not been accounted for, having been undeterminable at this stage, by the management as the Company has filed an appeal in Honourable Lahore High Court, Lahore (Division Bench) vide R.F.A No.1372/2015 based on infield favourable judgments of Honourable Lahore High Court, Lahore.

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 Adverse Opinion.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period as communicated to those with governance. In addition to the matter discussed in basis of Adverse Opinion section of our report, we have determined the matter described below to be the key audit matters. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matter(s):

Key audit matter(s)	How the matter was addressed in our audit
1. Existence and Valuation of stock in trade	
As disclosed in note 8 to the accompanying financial statements, the stock in trade balance constitutes 18.75 % of total assets of the Company. The cost of work in Process (WIP) and finished goods is determined at average manufacturing cost including a proportion of production overheads. We focused on Stock in Trade as it is a significant portion of Company's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation.	We performed a range of audit procedures with respect to inventory items including, amongst other physical observations of physical inventory counts, testing valuation methods and their appropriateness in accordance with the applicable accounting standards. We also tested the calculations of per unit cost of finished goods and WIP and assessed the appropriateness of management's basis for the allocation of cost and production overheads. We also assessed the adequacy of the disclosures made in respect of the accounting policies and the details of inventory balances held by the Company at year end.

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2. Preparation of financial statements under Companies Act, 2017	
As referred to in note 2 to the accompanying financial statements, the Companies Act, 2017(the Act) became applicable for the first time for the preparation of companies annual financial statements for the year ended 30th June, 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and contents of disclosure in relation to various elements of the financial statements. In case of the Company the specific additional disclosure and changes to the existing disclosure have been included in the financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of changes in the financial statements resulting from the transition to the new reporting requirements under the Act.	Our key audit procedures to address this risk include the following: • We assessed the procedure applied by the management for identification of the changes required in the financial statements due to the application of the Act; • We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements; and • We evaluated the source of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.

Information Other than the Financial Statements and Auditor' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

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

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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 information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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, we exercise professional judgement 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.

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- 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.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirement regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

a. except for the effects of the matters discussed in the Basis for Adverse Opinion section of report, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b. except for the effects of the matters discussed in the Basis for Adverse Opinion section of report, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flow 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 ;

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c. except for the effects of the matters discussed in the Basis for Adverse Opinion section of report, the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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

ARSHAD RAHEEM & CO
Chartered Accountants
Arshad Raheem

LAHORE: 0 5 OCT 2018

ASIM TEXTILE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	(Re-stated) 2017 Rupees	(Re-stated) 2016 Rupees
NON CURRENT ASSETS				
Property, plant and equipment	5	489,408,281	510,216,896	533,398,154
Long term deposits	6	15,038,156	11,418,156	11,046,184
		504,446,437	521,635,052	544,444,338
CURRENT ASSETS				
Stores and spares	7	11,646,158	15,110,740	15,419,603
Stock in trade	8	170,833,538	138,461,667	80,220,273
Trade debts	9	45,030,153	35,175,503	44,343,659
Advances and prepayments	10	6,052,467	5,395,605	44,004,911
Short term investment	11	19,929,127	23,057,146	11,110,653
Balance with statutory authorities	12	32,033,872	34,637,498	24,949,372
Cash and bank balances	13	120,898,354	102,152,147	62,587,922
		406,423,670	353,990,306	282,636,393
		910,870,107	875,625,358	827,080,731
SHARE CAPITAL AND RESERVES				
Authorized capital				
17,500,000 ordinary shares of Rs. 10 each		175,000,000	175,000,000	175,000,000
Issued, subscribed and paid up capital				
15,177,000 ordinary shares of Rs. 10 each, fully paid in cash		151,770,000	151,770,000	151,770,000
Accumulated loss		(213,784,444)	(261,343,466)	(301,893,810)
Surplus on revaluation of property plant and equipment	14	199,848,464	208,793,666	218,081,253
		137,834,020	99,220,200	67,957,443
NON CURRENT LIABILITIES				
Deferred liabilities	15	110,561,743	112,585,816	114,134,554
CURRENT LIABILITIES				
Trade and other payables	16	50,722,215	52,067,213	33,236,605
Accrued mark up	17	194,161,422	194,161,422	194,161,422
Short term borrowings	18	417,590,707	417,590,707	417,590,707
		662,474,344	663,819,342	644,988,734
CONTINGENCIES AND COMMITMENTS	19	-	-	-
		910,870,107	875,625,358	827,080,731

The annexed notes 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

ASIM TEXTILE MILLS LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales	20	1,433,634,887	1,214,020,348
Cost of sales	21	1,346,088,953	1,152,197,274
Gross Profit		87,545,934	61,823,074
Operating expenses			
Administrative expenses	22	27,563,370	22,436,424
Other operating expenses	23	4,628,311	2,960,035
		32,191,681	25,396,459
		55,354,253	36,426,615
Other operating income	24	3,433,283	3,548,427
		58,787,536	39,975,042
Finance cost		41,357	36,008
Profit before taxation		58,746,179	39,939,034
Taxation	25	17,009,770	10,612,770
Profit for the year		41,736,409	29,326,264
Profit per share - basic and diluted	26	2.75	1.93

The annexed notes 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

ASIM TEXTILE MILLS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
Profit for the year	41,736,409	29,326,264
Other comprehensive income :		
Items that will not be reclassified subsequently to profit or loss		
Unrealized income on changes in fair value of investment	(3,122,589)	1,936,493
Total comprehensive income for the year	38,613,820	31,262,757

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

ASIM TEXTILE MILLS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		58,746,179	39,939,034
Adjustments for non cash and other items:			
Depreciation		25,160,730	26,565,319
Profit on deposit accounts		(4,192,701)	(3,022,108)
Loss on disposal of fixed asset		832,677	
Profit on deposit with SNGPL		(41,630)	(431,901)
Finance cost		41,357	36,008
Cash generated before changes in working capital		80,546,612	63,086,351
Changes in working capital			
(increase) / decrease in current assets			
Stores and spares		3,464,582	308,863
Stock in trade		(32,371,871)	(58,241,394)
Trade debts		(9,854,650)	9,168,156
Advances and prepayments		(857,233)	38,658,952
Tax refunds due from Government		(1,130,174)	(17,621,058)
Increase / (decrease) in current liabilities			
Trade and other payables		(1,344,998)	18,830,608
		(42,094,344)	(3,895,873)
Cash generated from operations		38,452,267	59,190,478
Finance cost paid		(41,357)	(36,008)
Taxes paid		(14,925,845)	(9,214,623)
Staff retirement gratuity paid		(368,768)	(13,953)
		(15,335,970)	(9,264,584)
Net cash generated from operating activities		23,116,297	49,925,894
b) CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in property, plant and equipment		(6,414,792)	(3,384,061)
Addition in investment		-	(10,010,000)
Long term deposits		(3,620,000)	(371,972)
Sale proceeds from the disposal of assets		1,230,000	-
Profit on deposits		4,434,702	3,404,364
Net cash used in operating activities		(4,370,090)	(10,361,669)
Net increase in cash and cash equivalents		18,746,207	39,564,225
Cash and cash equivalents at the beginning of the year		102,152,147	62,587,922
Cash and cash equivalents at the end of the year	13	120,898,354	102,152,147

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

ASIM TEXTILE MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2018

	Capital	Revaluation surplus on plant and equipment	Accumulated Loss	Total
	---------- Rupees ----------			
Balance as at July 01, 2016	151,770,000		(301,893,810)	(150,123,810)
Impact of change in accounting policy	-	218,081,253	-	218,081,253
Balance as at July 01, 2016 re stated	151,770,000	218,081,253	(301,893,810)	67,957,443
Profit for the year	-		29,326,264	29,326,264
Other comprehensive income	-		1,936,493	1,936,493
Transfer of incremental depreciation on revalued assets for the year		(13,235,619)	13,235,619	-
Tax effect on incremental depreciation		3,948,032	(3,948,032)	
	-			-
Balance as at June 30, 2017 re-stated	151,770,000	208,793,666	(261,343,466)	99,220,200
Profit for the year	-		41,736,409	41,736,409
Surplus on revaluation adjusted during the year		(159,653)	159,653	
Other comprehensive income	-		(3,122,589)	(3,122,589)
Transfer of incremental depreciation on revalued assets for the year		(12,520,923)	12,520,923	-
Tax effect on incremental depreciation		3,735,374	(3,735,374)	-
Balance as at June 30, 2018	151,770,000	199,848,464	(213,704,444)	137,834,020

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

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

ASIM TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. THE COMPANY AND ITS OPERATIONS

1.1 The Company is limited by shares and incorporated in Pakistan under the Companies Act, 2017. Its shares are quoted at Karachi, Islamabad and Lahore Stock Exchanges, with effect from January 11, 2016 all three Stock Exchanges merged into Pakistan Stock Exchange. The principal business of the Company is manufacturing and sale of yarn. The Mill is situated at Tehsil Jaranwala, District Faisalabad in the Province of Punjab and the registered office of the Company is situated at JK House, 32-W, Susan Road, Madina Town, Faisalabad.

1.2 Going concern assumption

The Company has accumulated loss of Rs. 213.784 million (2017: Rs. 261.343 million) as against issued, subscribed and paid up capital of Rs. 151.77 million, thereby having a negative equity of Rs. 62.014 million (2017: Rs.109.573 million); and its current assets have been decreased from its current liabilities by Rs. 256.051 million (2017: Rs.309.829 million) as at June 30, 2018. These factors indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, and therefore the Company may be unable to discharge its liabilities and realize its assets in the normal course of business.

Inspite of the huge accumulated losses and negative equity, the management of the company is making strenuous efforts, optimal production strategies and effective cost controls to improve the profitability of the Company. The management looks forward positively to counter all challenges and is firmly committed to deliver the best possible results and will continue to meet its objectives and goals. Based upon these aspects and continuing financial support from directors and associates, the financial statements have been prepared on going concern basis.

2. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- Due to applicability of Companies Act, 2017 certain disclosures of financial statements have been presented in accordance with the fourth schedule to the Companies Act, 2017.
- Due to applicability of the Companies Act, 2017 amounts reported for the previous period are restated. For detailed information please refer note 4.20.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These 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 Standard (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

Provisions of and directives issued under the Companies Act, 2017.

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

3.2 Application of new and revised International Financial Reporting Standards (IFRSs)

3.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2017 and therefore, have been applied in preparing these financial statements.

IAS 7 Statements of cash flows

The amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 Income taxes

The amendments to IAS 12 address the issue of recognition of deferred tax assets for unrealized losses and clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2017 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

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

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

IFRS 9 Financial Instruments (2014):

IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition.

All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, standard requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective for accounting period beginning on or after January 01, 2018. The management of the Company is reviewing the changes to evaluate the impact of application of standard on the financial statements.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2018. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

IFRIC 22 Foreign currency transactions and advance

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The company is yet to assess the full impact of the IFRIC.

This IFRIC is effective for accounting period beginning on or after January 01, 2018. The application of IFRIC is not expected to have any material impact on the Company's financial

IFRIC 23 Uncertainty over Income Tax Treatments:

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The company is yet to assess the full impact of the IFRIC. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

This IFRIC is effective for accounting period beginning on or after January 01, 2019. The application of IFRIC is not expected to have any material impact on the Company's financial

Annual improvements 2014-2016

Annual Improvements to IFRSs through 2014-2016 cycle have been issued by IASB on December 08, 2016, amending the following standards.

IFRS 1: First-time Adoption of International Financial Reporting Standards.

IAS 28: Investments in Associates and Joint Ventures.

The amendments are effective for accounting periods beginning on or after January 01, 2018. The application of amendments is not expected to have any material impact on the Company's financial statements.

Annual improvements 2015-2017 (New added)

Annual Improvements to IFRSs through 2015-2017 cycle have been issued by IASB in December 2017, amending the following standards:

IAS 12: Income Taxes.

IAS 23: Borrowing Costs.

The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of amendments is not expected to have any material impact on the Company's financial statements.

Amendments to IAS 28-Investments in Associates and Joint Ventures (New added)

The amendments clarify that an entity applies IFRS 9 to long term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of amendments is not expected to have any material impact on the Company's financial statements.

3.2.4 Standards, amendments to standards and interpretations becoming effective in future period but not relevant.

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

3.3 Accounting convention

These financial statements have been prepared under the historical cost convention except property, plant and equipment referred in note 5.1 are carried at revalued amounts. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

3.4 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees which is also Comapany's functional currency.

3.5 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The new standards, amendments to approved accounting standards and interpretations that are mandatory for accounting periods beginning on July 1, 2016 are considered not to be relevant for the Institute's financial statements and hence have not been detailed here.

3.6 Standards, interpretations and amendments to approved accounting standards that are issued but not yet effective

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

		Effective date (annual reporting Periods beginning on or After)
IAS-16	Property, Plant and Equipment (Amendments)	January 01, 2016
IAS-38	Intangible Assets (Amendments)	January 01, 2016
IFRS 12	Disclosure of interests in other entities	January 01, 2015
IFRS 13	Fair value measurement	January 01, 2015

The management anticipate that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan.

		IASB Effective date (Accounting Periods beginning on or After)
IFRS 1	First-time adoption of International Financial Reporting stand	July 01, 2009
IFRS 9	Financial instruments	January 01, 2018
IFRS 14	Regulatory Deferral accounts	January 01, 2016
IFRS 15	Revenue from customers	January 01, 2018
IFRS 17	Insurance contracts	January 01, 2021
IFRIC 21	Levies	January 1, 2014
IFRS 12	Service concession arrangements	January 01, 2013
IFRS 13	Fair value measurement	January 01, 2013

3.7 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of setting up and applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas requiring the use of the management estimates in these financial statements are as follows:

Useful life of the depreciable assets

Store and spares

Provision for doubtful debts

Taxation

Contingencies

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 subsequent years.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

4.1.1 Operating fixed assets

Property, plant and equipment except free hold land, building on freehold land, plant & machinery, electric installations and capital work in progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Building on freehold land, plant & machinery and electric installations are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at revalued amount.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of the property, plant and equipment is capitalized and the asset so replaced is retired from use. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Any revaluation increase arising on the revaluation of land, buildings and property, plant and equipment improvements is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings and property, plant and equipment improvements is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The surplus on revaluation buildings and property, plant and equipment improvements to the extent of incremental depreciation charged is transferred to unappropriated profit.

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. Previously, the Company's accounting policy was in accordance with the provisions of repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the company was not in alignment with the accounting treatment and presentation of revaluation surplus as prescribed in the IFRS. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation surplus, accordingly the Company has changed the accounting policy and is now following the IFRS prescribed accounting treatment and presentation of revaluation surplus. The detailed information and impact of this change in policy is provided in note 5.20 below.

Depreciation is charged to income applying the reducing balance method so as to write off the historical cost of the assets over their expected useful life at the rates mentioned in property, plant and equipment note - 5.

Depreciation on additions during the year is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. The residual values and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

Gains and losses on disposal of property, plant and equipment are included in current income.

4.1.2 Capital work in progress

Capital work in progress is shown at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

4.2 Stores and spares

These are valued at lower of moving average cost and net realizable value except items-in-transit which are valued at cost accumulated to the balance sheet date. Stores, spares and loose tools are regularly reviewed by the management to assess their net realizable value (NRV). Provision is made for slow moving and obsolete store items when so identified.

4.3 Stock in trade

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

Raw material	- At factory	Annual average cost
	- In Transit	Invoice value plus direct charges in respect thereof.
Work in process and finished goods		Prime cost including a proportion of production overheads.
Wastes		At net realizable value

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

4.4 Trade 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. Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future. Balances considered bad are written off when identified.

4.5 Short term investment

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

Subsequent to initial recognition at cost, these are measured at fair value. The Company uses latest stock exchange quotations to determine the fair value of quoted investments. Gain or losses on available for sale investments are recognized directly in other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously recognized in other comprehensive income, is re-classified from equity to profit and loss as re-classification adjustment.

4.6 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees (functional and presentation currency) at the rates of exchange approximating those appearing on the dates of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevalent on the balance sheet date. All exchange differences arising from foreign currency transactions/ translations are charged to profit and loss account.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash and cheques in hand and at banks and include short term highly liquid investments. The cash and cash equivalents are readily convertible to known amount of cash and are subject to insignificant risk of change in value.

4.8 Staff retirement benefits

The Company changed its policy for staff retirement benefits as on 31st March, 2008 from staff retirement gratuity to provident fund and staff retirement gratuity up to that date is stated on termination basis.

At present the Company operates an approved Provident Fund Scheme covering all its permanent employees. Equal monthly contributions are made, both by the Company, and the employees, to the fund at the rate of 8.33% of the basic salary. The Company's contribution to the fund is recognized as expense for the year.

4.9 Taxation

Current Taxation

Under normal law

The current taxation is computed on the basis of profit for the year adjusted for fiscal purposes, minimum tax u/s 113 or Alternate Corporate Tax (ACT) u/s 113C of the Income Tax Ordinance, 2001, which ever is higher, after taking into account the tax credit or rebate, if any.

Under presumptive tax regime

Taxation in relation to export of goods under section 154 read with section 169 is provided on the basis of Presumptive Tax Regime in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred Taxation

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

4.10 Trade and other payables

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

4.11 Provisions

A provision is recognized when the Company has a present, legal or constructive obligation as a result of a past event when 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 of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.12 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence/ non- occurrence of the uncertain future event(s).

4.13 Related party transactions and transfer pricing

All transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable uncontrolled price method.

4.14 Borrowing costs

Borrowing costs to the extent of borrowing costs that are directly attributable to the acquisition or construction 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, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account in the period of incurrence.

4.15 Dividend and other appropriations

Dividend is recognized as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

4.16 Financial Instruments

Financial assets are long term deposits, long term advances, trade debtors, advances & other receivables and cash and bank balances. These are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred, and the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are recognized according to the substance of the contractual arrangements entered into. Significant financial liabilities are short term borrowings and trade and other payables. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

4.17 Impairment

The management assesses at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the cash generating unit is reduced to its recoverable amount by charging the impairment loss against profit and loss account for the year.

4.18 Offsetting of financial assets and financial liabilities

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

4.19 Revenue recognition

Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and revenue can be measured reliably. Revenue is measured at fair value of consideration received or receivable and is recognized on the following basis;

Revenue from sales of goods is recognized when the significant risks and rewards of the ownership of the goods have been passed to the customer usually when goods are delivered / dispatched and title has passed.

Profit on short term investment is recognized on the time-apportioned basis.

4.20 Change in accounting policy

The Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in section 17 of IFRS are being followed by the Company. The new accounting policy is explained under note 3.21 above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

	As at June 30, 2017			As at June 30, 2016		
	As previously reported	As re-stated	Re - statement	As previously reported	As re-stated	Re- statement
	Rupees					
Effect on balance sheet						
Revaluation surplus on property, plant and equipment	208,793,666	-	208,793,666	218,081,253	-	218,081,253
Share capital and reserves	-	208,793,666	208,793,666	-	218,081,253	218,081,253
Effect on statement of changes in						
Capital reserve	-	208,793,666	208,793,666	-	218,081,253	218,081,253

	For the year ended June 30, 2017		
	As previously reported	As re-stated	Re - statement
Effect on statement of Comprehensive Income	Rupees		
Incremental depreciation on revalued assets for the year	9,287,587	-	(9,287,587)

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

8 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST / REVALUED AMOUNTS			DEPRECIATION				BOOK VALUE	
	As at July 01, 2017	Additions/ transfers during the Year	As at June 30, 2018	As at July 01, 2017	Deletion during the year	For the Year	As at June 30, 2018	As at June 30, 2018	Rate %
	Rupees								
Land - freehold	53,508,000	-	53,508,000	-	-	-	-	53,508,000	-
Building on freehold land	151,418,124	-	151,418,124	45,547,372	-	5,293,538	50,840,910	100,577,214	5%
Plant and machinery	627,674,853	(9,570,323)	618,104,530	303,186,071	(7,507,646)	16,224,439	311,902,864	306,201,666	5%
Electric installation	31,754,357	-	31,754,357	14,476,776	-	1,727,258	16,204,034	15,549,823	10%
Factory equipment	355,750	-	355,750	329,872	-	2,588	332,460	23,290	10%
Furniture, fixture and	659,633	-	659,633	454,803	-	20,483	475,286	184,347	10%
Office equipment	2,618,122	-	2,618,122	1,757,588	-	86,053	1,843,641	774,481	10%
Vehicles	23,561,120	6,414,792	29,975,912	15,580,581	-	1,805,871	17,386,452	12,589,460	20%
Rupees: June 2018	891,549,959	(3,155,531)	888,394,428	381,333,063	(7,507,646)	25,160,730	398,986,147	489,408,281	

PARTICULARS	COST / REVALUED AMOUNTS			DEPRECIATION				BOOK VALUE	
	As at July 01, 2016	Additions/ transfers during the Year	As at June 30, 2017	As at July 01, 2016	Deletion during the year	For the Year	As at June 30, 2017	As at June 30, 2017	Rate %
	Rupees								
Land - freehold	53,508,000	-	53,508,000	-	-	-	-	53,508,000	-
Building on freehold land	151,418,124	-	151,418,124	39,975,227	-	5,572,145	45,547,372	105,870,752	5%
Plant and machinery	626,664,853	1,010,000	627,674,853	285,125,433	-	17,060,638	303,186,071	324,488,782	5%
Electric installation	29,380,296	2,374,061	31,754,357	12,660,624	-	1,816,152	14,476,776	17,277,581	10%
Factory equipment	355,750	-	355,750	326,997	-	2,875	329,872	25,878	10%
Furniture, fixture and	659,633	-	659,633	432,044	-	22,759	454,803	204,830	10%
Office equipment	2,618,122	-	2,618,122	1,661,573	-	96,615	1,757,588	860,534	10%
Vehicles	23,561,120	-	23,561,120	13,585,446	-	1,996,135	15,580,581	7,980,539	20%
Rupees: June 2017	888,165,898	3,384,061	891,549,959	354,767,744	-	26,565,319	381,333,063	510,216,896	

5.1 The detail of plant and machinery sold during the year is as follow:

Particulars	Cost	Written down value	Sale Proceeds	Loss on disposal	Nature of relationship	Particulars of buyers
Autocone	4,471,063	1,360,698	900,000	460,698	None	Mr. Zia Ahmad
Drawing Machines	3,154,230	409,146	180,000	229,146	None	Mr. Zia Ahmad
Turbo Charger	500,000	292,833	150,000	142,833	None	Mr. M Haroon
Total	**8,125,293**	**2,062,677**	**1,230,000**	**832,677**	-	-

These sales have been executed through negotiation

	2018 Rupees	2017 Rupees
5.2 Depreciation charge for the year has been allocated as under;		
Cost of sales	23,248,323	24,451,810
Administrative expenses	1,912,407	2,113,509
	25,160,730	26,565,319

5.3 Had there been no revaluation, the related figures of freehold land, building on freehold land, plant and machinery and electric installations as at June 30 would have been as follows:

	2018		
	Cost		Written down value
	(Rupees)		
Freehold land	4,062,000	-	4,062,000
Building on freehold land	40,631,000	33,408,293	7,222,707
Plant and machinery	478,462,478	298,547,254	179,915,224
Electric installations	20,077,383	13,099,787	6,977,596
	543,232,861	345,055,334	198,177,527

	2017		
	Cost		Written down value
	(Rupees)		
Freehold land	4,062,000	-	4,062,000
Building on freehold land	40,631,000	33,028,150	7,602,850
Plant and machinery	486,587,771	295,200,142	191,387,629
Electric installations	20,077,383	12,324,499	7,752,884
	561,358,154	340,552,791	210,805,363

5.4 The total area of the land of company is 56 kanal and 18 marla which is used for production unit, located at 32- KM, Sheikhupura, Faisalabad.

	Note	2018 Rupees	2017 Rupees
6 LONG TERM DEPOSITS			
Security deposits			
- SNGPL	6.1	12,258,028	8,638,028
- FESCO		2,734,078	2,734,078
- WASA		8,550	8,550
- CDC		37,500	37,500
		15,038,156	11,418,156

6.1 This represents the security amount deposited with Sui Northern Gas Pipelines Limited (SNGPL) for supply of natural gas to the Company. The balance amount is subject to profit @ 2.85% p.a.

7. STORES AND SPARES

Stores		6,472,024	7,401,436
Spares		5,174,134	7,709,304
		11,646,158	15,110,740

8. STOCK IN TRADE

Raw material		113,364,709	77,433,153
Work in process		6,106,933	5,302,204
Finished goods		51,361,896	55,726,310
		170,833,538	138,461,667

9. TRADE DEBTS

Considered good

Local - unsecured	9.1	45,030,153	35,175,503
		45,030,153	35,175,503

9.1 These are unsecured but considered good by the management of the Company

10. ADVANCES AND PREPAYMENTS

Advances-considered good			
- Advances to employees		148,500	101,000
- Advances to suppliers		5,095,992	2,671,464
Letter of credit		-	935,868
Prepayments		544,902	1,223,829
Accrued profit		263,073	463,444
		6,052,467	5,395,605

11. SHORT TERM INVESTMENT

Available for sale

NAFA Government Securities Liquid Fund	11.1	12,059,710	13,248,887
JS Investments (JS Islamic Fund)	11.2	7,869,417	9,808,259
		19,929,127	23,057,146

11.1 These have been valued by using published net asset value (NAV) as at 30th June, the number of units held by the Company are 113,208.1192 units (2017: 113,057.7511 units)

11.2 These have been valued by using published net asset value (NAV) as at 30th June, the number of units held by the Company are 75,032.5785 units (2017: 75,032.5785 units)

12. BALANCE WITH STATUTORY AUTHORITIES

	Note	2018 Rupees	2017 Rupees
Sales tax		29,053,062	27,922,888
Income tax - *net*		2,980,810	6,714,610
		32,033,872	34,637,498

13. CASH AND BANK BALANCES

	Note	2018 Rupees	2017 Rupees
Cash in hand		285,933	237,734
Cash at bank			
In current accounts	13.1	74,522,327	80,446,279
In deposit accounts	13.2	46,090,094	21,468,134
		120,612,421	101,914,413
		120,898,354	102,152,147

13.1 It includes US$ 1,000/- (2017: US$ 1,000/-) and SAR. 2,461/- (2017: SAR 2,461/-)

13.2 Deposits with commercial banks yield profit at the rate of 3.75% to 5.45% (2017: 3.75% to 5.45%).

14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2018 Rupees	2017 Rupees
Balance as on July 01,	208,793,666	218,081,253
Surplus on revaluation adjusted during the year	(159,653)	-
	208,634,013	218,081,253
Incremental depreciation on revalued property, plant and equipment		
for the year	(12,520,923)	(13,235,619)
Related effect of deferred tax liability	3,735,374	3,948,032
	(8,785,549)	(9,287,587)
Balance as on June 30,	199,848,464	208,793,666

First revaluation of company's building on freehold land and plant and machinery was carried out as on September 30, 1995 by an independent valuer M/s Iqbal A. Nanjee & Co. Lahore on the basis of depreciated replacement values.

Second revaluation of company's freehold land, building on freehold land and plant and machinery has been carried out on September 30, 2000 by an independent valuer Inspectorates Corporation International (Pvt) Ltd., Lahore and the same has been verified by EBP's approved auditors on the basis of depreciated replacement values.

Third revaluation of company's freehold land, building on freehold land, plant and machinery and electric installations has been carried out on June 30, 2012 by an independent valuer M/s Nizamy Associates, Faisalabad on the basis of depreciated replacement values.

Fourth revaluation of copmany's freehold land, building on freehold land, plant and machinery and electric installations has been carried out on Sep 30, 2015 by an independent valuer M/s Amir Evaluators & Consultants, Peshawar on basis of depreciated replacement values.

The fair valuation of the revalued assets are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets. The fair value are subject to change owing to change in input. However, the management does not expect there to be a material sensitivity to the fair values arising from the non-observaie inputs. The basis of revaluation for items of these fixed assets were as follows

Freehold land

Property brokers, dealers and estate agents were contacted to ascertain the asking and selling prices for properties of the same nature in the immediate neighborhood and adjoining areas. Neighboring properties which have been recently sold or purchased, were investigated to ascertain a reasonable selling / buying price. Properties that were up for sale were examined for asking price. An average of the above values was then assigned to the property.

Building on freehold land

Construction specifications were noted for each factory and residential building and structure and current construction rates were used to obtain replacement values of building, to which a depreciation formula was applied, based upon the Company's estimates of balance life to arrive at the current assessed value.

Plant and machinery

Plant and machinery have been evaluated / assessed by keeping in view their present physical condition, the remaining useful life / economic life and technological obsolescence. Further, new replacement values were arrived by using current local and foreign market values for the similar type of plant and machinery. These current local and foreign market values were taken into account on the basis of technical obsolescence, efficiency, maintenance, replacement and other related factors involved.

Electric installations

These were evaluated / assessed by keeping in view their present physical condition and the remaining useful life / economic life. Further, new replacement values were arrived by using current market values for the similar type of assets. These current market values were taken into account on basis of efficiency, maintenance, replacement and other related factors involved.

	Note	2018 Rupees	2017 Rupees
15. DEFERRED LIABILITIES			
Deferred taxation	15.1	109,984,918	111,620,223
Staff retirement gratuity	15.2	596,825	965,593
		110,581,743	112,585,816

15.1 DEFERRED TAXATION

	2018	2017
Balance as on July 01,	111,620,223	113,155,008
(Adjusted) / provided during the year	(1,655,305)	(1,534,785)
Balance as on June 30,	109,964,918	111,620,223
This comprise of following		
Deferred tax liability:		
Taxable temporary differences relating to operating assets	32,381,417	30,373,552
Taxable temporary differences relating to surplus on revaluation of property, plant and equipment	77,761,552	81,546,005
Deferred tax assets:		
Deductible temporary differences on tax losses	-	-
Staff retirement benefits	(178,051)	(299,334)
	109,964,918	111,620,223

The liability of deferred tax has been computed by applying the tax rate of 30%.

Deferred tax debit balance is recognized on staff retirement benefits.

15.2 STAFF RETIREMENT GRATUITY

	2018	2017
Balance as on July 01,	965,593	979,546
Paid during the year	(368,768)	(13,953)
Balance as on June 30,	596,825	965,593

16. TRADE AND OTHER PAYABLES

	Note	2018	2017
Trade creditors		23,078,867	22,516,171
Accrued expenses		18,873,534	21,564,666
Advances from customers		4,200,441	4,780,542
Provident fund trust	16.1	689,999	645,304
Due to related parties	16.2	651,050	240,393
Withholding tax payable		80,629	125,958
Sale tax payable		28,971	48,226
Workers' profit participation fund		3,168,724	2,144,953
		50,722,215	52,067,213

16.1 This represents amount due to provident fund trust for the month of June - 2018 of which payment was made at July 16, 2018 (July 13, 2017).

16.2 This represents directors current account balances maintained with the company.

17. ACCRUED MARK UP

	Note	2018 Rupees	2017 Rupees
Accrued markup on secured morabaha finance	17.1	194,161,422	194,161,422

17.1 The company has ceased the payment of markup since July 01, 2009, as it has filed a suit against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The facts of the litigation are explained in note 19.1.

18. SHORT TERM BORROWINGS

	Note	2018 Rupees	2017 Rupees
From banking company			
Secured			
Morabaha I	18.1	340,901,898	340,901,898
Morabaha II- Secured	18.2	74,145,100	74,145,100
Unsecured			
Interest free bank overdraft		2,543,709	2,543,709
		417,590,707	417,590,707

18.1 It represents morabaha finance created by Faysal Bank Limited by converting various morabaha finances into long term morabaha-I at an interest rate of 13% per annum.

18.2 It represents an interest free morabaha finance by Faysal Bank Limited by converting various unpaid markups into non profit morabaha-II.

18.3 The above mentioned morabaha finances are secured against the first charge of Rs. 505 million on fixed assets and personal guarantees of directors and Chief Executive of the Company.

18.4 The Company is not repaying the morabaha finances as it has filed a suit against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The bank has also filed a counter suit praying for a decree to be passed in its favor for a sum of Rs. 454.502 million against the defendants jointly and severally, with cost of funds at the rate of 20% or as certified by State Bank of Pakistan from date of default and 20% liquidated damages plus service charges and all costs, charges, expenses payable or to be incurred by the plaintiff bank till the final payment / realization of the afore-mentioned amount. The facts and status of the litigations are further explained in note 19.1.

18.5 The Company has ceased the repayment of the overdraft, as it has filed a suite against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The facts of the litigation are explained in note 19.1.

18.6 Further to note 18.1 to 18.5 since these facilities are in default / subjudice, the recognition and measurement of these financial liabilities under IAS 39-Financial Instruments are required to be carried at amortized cost. These are carried at cost as their amortized costs are impractible to determine. Hence, these are reclassified from long term financing to short term borrowings for all the relevant periods, whether present or future and have accordingly been regrouped / reclassified.

19. CONTINGENCIES AND COMMITMENTS

Contingencies

19.1 The Company has instituted a suit in the Honorable Lahore High Court, Lahore against Faysal Bank Limited claiming damages on account of acquisition of un-remunerative agricultural land on the advice of FIBL for not providing timely cash finance facilities despite written commitments and for charging illegal profits against the principles of Islamic Banking and in contravention of the objective clause of its Memorandum of Association, Articles of Association and against circulars issued by the State Bank of Pakistan. The amount claimed for the first two counts is Rs.141.831 million (including claims of Central Excise Duty), whereas the amount of last count has been left for the Court to determine.

The counter suite filed by the Faysal Bank for recovery of Rs. 454.502 million along with costs and cost of funds before the Honorable Lahore High Court (Single Judge), Lahore has been adjudicated on 04.06.2015 against the company. The company has filed an appeal in Honourable Lahore High Court, Lahore (Division Bench) vide R.F.A. No. 1372/2015 on various grounds including the company being condemned unheard. Due to litigations, the Bank is not responding and confirming the balance to the company. Having been undeterminable at this stage, provision for cost of funds has not been accounted for.

19.2 By virtue of Finance Act, 2017 , Section 5A of the Income Tax Ordinance, 2001 was amended. Through the revised provision, a tax equal to 7.5 percent of accounting profit for the year is required to be levied on every public company, other than a scheduled bank and modarba, if distribution of cash dividend or bonus shares of at least 40 percent of the accounting profit after tax for the year is not made within six months. However, the management is of the view that this amendment is opposed to the principles of economic growth and has, therefore, having intention to challenge the amendment before Honourable Lahore High Court. Legal advisor and management is confident that discriminatory provisions for this tax would not affect any financial outflow of the company, if any adverse inference is drawn by the revenue authorities. It is worthwhile to mention here that constitutional petitions have already been filed by some companies before Honourable High Courts challenging the tax and the Honourable High Courts have granted stay order in this respect of levy of the above tax. Accordingly provision amounting to Rs. 2,995,427/- for the year ended June 30, 2017 has not been made in these financial statements in respect of the additional tax liability and the management expects a favourable outcome in this respect.

20. SALES - NET

	Note	2018 Rupees	2017 Rupees
Local:			
Yarn sales		1,416,677,815	1,199,528,708
Waste sales		17,519,624	15,237,592
		1,434,197,439	1,214,766,300
Gross sales		1,434,197,439	1,214,766,300
Less: Sales tax		10,902	10,772
Commission		551,650	735,180
		562,552	745,952
		1,433,634,887	1,214,020,348

21. COST OF SALES

	Note	2018 Rupees	2017 Rupees
Raw material consumed	21.1	959,861,166	849,649,133
Stores and spares consumed		25,809,748	26,268,160
Packing material consumed		21,039,464	20,626,856
Salaries, wages and benefits	21.2	136,290,447	128,495,624
Fuel and power		171,114,797	145,936,904
Repairs and maintenance		2,277,374	3,342,681
Insurance		2,868,882	2,733,923
Depreciation	5.1	23,248,323	24,451,810
General expenses		1,019,067	1,282,531
		1,342,529,268	1,202,787,622
Work in process			
Balance as on July 01,		5,302,204	5,150,008
Balance as on June 30,		(6,106,933)	(5,302,204)
		(804,729)	(152,196)
Cost of goods manufactured		1,341,724,539	1,202,635,426
Finished goods			
Balance as on July 01,		55,726,310	5,288,158
Balance as on June 30,		(51,361,896)	(55,726,310)
		4,364,414	(50,438,152)
		1,346,088,953	1,152,197,274

21.1 RAW MATERIAL CONSUMED

	2018 Rupees	2017 Rupees
Balance as on July 01,	77,433,153	69,782,107
Purchases	995,792,722	857,300,179
	1,073,225,875	927,082,286
Balance as on June 30,	(113,364,709)	(77,433,153)
	959,861,166	849,649,133

21.2 This includes a sum of Rs.3,427,343/- (2017: Rs. 3,430,402/-) in respect of defined contribution plan.

22. ADMINISTRATIVE EXPENSES

	Note	2018 Rupees	2017 Rupees
Director's remuneration		975,000	-
Staff salaries and benefits	22.1	16,510,795	12,745,691
Postage and telecommunication		477,064	459,725
Electricity, Fuel and water		521,183	245,281
Printing and stationary		124,113	79,416
Travelling and conveyance		374,102	107,066
Entertainment		315,853	292,130
Fees and subscription		732,864	670,394
Legal and professional		797,100	1,935,400
Rates and taxes		584,906	122,918
Vehicle, running and maintenance		2,635,609	2,381,381
Auditors' remuneration	22.2	400,000	375,000
Insurance		673,272	556,718
Advertisement		26,200	13,200
Depreciation	5.2	1,912,407	2,113,509
Others		502,902	338,598
		27,583,370	22,436,424

22.1 This includes a sum of Rs 543,852/- (2017: Rs. 561,751/-) in respect of defined contribution plan

22.2 AUDITORS' REMUNERATION

	2018 Rupees	2017 Rupees
Statutory audit	330,000	300,000
Half yearly review	50,000	50,000
Out of pocket expenses	20,000	25,000
	400,000	375,000

23. OTHER OPERATING EXPENSES

	2018 Rupees	2017 Rupees
Workers' profit participation fund	3,168,724	2,144,953
Workers Welfare fund	1,459,587	815,082
	4,628,311	2,960,035

24. OTHER OPERATING INCOME

Income from financial assets

	2018 Rupees	2017 Rupees
Profit on deposit accounts	4,192,701	3,022,108
Exchange gain on foreign currency translation	31,629	174
Profit on deposit with SNGPL	41,630	431,901
Loss on sales of fixed assets	(832,677)	-
Other - export rebate received against prior years	-	94,244
	3,433,283	3,548,427

	2018 Rupees	2017 Rupees
25. TAXATION		
Current		
- For the year	17,927,332	12,147,555
- Prior year	737,743	-
Deferred	(1,655,305)	(1,534,785)
	17,009,770	10,612,770

25.1 Reconciliation of tax expense and accounting profit

	2018 Rupees	2017 Rupees
Profit before taxation	58,746,179	39,939,034
Tax at the applicable rate 30% (2017: 31%)	17,623,853	11,981,710
Prior year tax	737,743	-
Net Tax effect of items taxed at different rates	303,479	165,845
Deferred taxation	(1,655,305)	(1,534,785)
	17,009,770	10,612,770

25.2 Status of income tax assessment

Tax provision made in financial statements taking into consideration of admissibility of expenses. A comparison of last three years tax assessment is presented below:

	2017	2016	2015
	Rupees		
Income tax provision for the year-accounts	12,147,555	3,041,165	11,403,379
Income tax as per tax assessment-u/s 120 of Income Tax Ordinance, 2001	12,149,574	3,041,165	11,403,379

26. PROFIT / (LOSS) PER SHARE-BASIC AND DILUTED

	2018 Rupees	2017 Rupees
Profit for the year	41,736,409	29,326,264
Weighted average number of ordinary shares outstanding during the year	15,177,000	15,177,000
Profit per share-basic and diluted	2.75	1.93

There is no dilutive effect on the basic earnings per share of the Company.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTOR		EXECUTIVES	
	2018	2017	2018	2017	2018	2017
			(Rupees)			
Salary	375,000	-	600,000	-	2,974,984	4,774,667
House rent allowance	-	-	-	-	1,189,994	1,909,867
Utilities allowance	-	-	-	-	297,498	477,467
Provident fund	-	-	-	-	247,816	397,730
Total	375,000	-	600,000	-	4,710,292	7,559,730
Number of persons	1	-	2	-	4	6

28. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and other key management personnel. Amounts due from and due to related parties, if any, are shown under relevant notes to financial statements. Remuneration of Chief Executive Officer, Directors and Executives is explained in Note 29. Transactions with related parties other than those specifically mention in relevant notes is as follows:

Party	Nature of relationship	Nature of transactions	2018 Rupees	2017 Rupees
Provident fund trust	Post employment	Company's contribution to provident fund	3,970,995	3,992,153
CEO/directors/members	Related party	Expenses paid on behalf of CEO/directors/members	410,657	(144,040)
Zeeshan Energy Limited	Associate	Purchase of electricity	-	62,588,805

29. PLANT CAPACITY AND PRODUCTION

	2018	2017
Number of spindles installed	23,352	23,352
Number of spindles worked	23,352	23,352
Number of shifts worked per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	11,002,544	11,002,544
Actual production of yarn after conversion into 20/s count (Kgs)	10,553,619	10,303,992

29.1. Reason for short fall:

It is difficult to determine precisely the production / rated capacity in spinning units since it fluctuates widely depending on various factors such as efficiency of labour, quality of raw material.

30. EMPLOYEES PROVIDENT FUND TRUST

The following information is based on latest un-audited financial statements of the fund:

	2018	2017
Size of the fund (Rupees)	14,483,202	15,008,929
Cost of investment made (Rupees)	13,106,825	11,606,825
Fair value of investment (Rupees)	14,064,559	14,134,001
Percentage of investment made (%)	97	77

30.1 The breakup of fair value of investments is:

	2018		2017	
	Rupees	% of total	Rupees	% of total
NBP FAM Ltd.	4,007,972	28.50	4,007,972	28.36
CDC Trustee UBL Fund	2,556,587	18.18	2,556,587	18.09
Others (Fixed deposit)	7,500,000	53.33	6,000,000	42.45
Bank balances	-	-	1,569,442	11.10
	14,064,559	100.00	14,134,001	100.00

30.2 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

31. NUMBER OF EMPLOYEES

The average number of employees for the year ended June 30, 2018 were 551 (2017: 557) and number of employees as at June 30, 2018 were 546 (2017: 556).

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1 Financial assets and liabilities

Financial assets and liabilities of the company are as follows:

	June 30, 2018						
	Interest/markup bearing			Non interest/markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	---------- (Rupees) ----------						
Financial assets							
At fair value through profit and loss							
- Investment (NAFA Government Securities)	[illegible]	-	[illegible]	-	-	-	[illegible]
- Investment (JS Islamic Fund)	[illegible]	-	[illegible]	-	-	-	[illegible]
Loans and receivables							
Long term deposits	-	[illegible]	[illegible]	-	-	-	[illegible]
Trade debts	-	-	-	[illegible]	-	[illegible]	[illegible]
Advances and other receivable	[illegible]	-	[illegible]	-	-	-	[illegible]
Cash and bank balances	[illegible]	-	[illegible]	[illegible]	-	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	[illegible]	-	[illegible]	[illegible]
Interest accrued on long term financing	-	-	-	[illegible]	-	[illegible]	[illegible]
Short term borrowing	[illegible]	-	[illegible]	[illegible]	-	[illegible]	[illegible]
	[illegible]	-	[illegible]	[illegible]	-	[illegible]	[illegible]
Excess of financial assets over financial liabilities	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1 Financial assets and liabilities

Financial assets and liabilities of the company are as follows:

	June 30, 2017						
	Interest/markup bearing			Non interest/markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	---------- (Rupees) ----------						
Financial assets							
At fair value through profit and loss							
- Investment (NAFA Government Securities)	[illegible]	-	[illegible]	-	-	-	[illegible]
- Investment (JS Islamic Fund)	[illegible]	-	[illegible]	-	-	-	[illegible]
Loans and receivables							
Long term deposits	-	[illegible]	[illegible]	-	-	-	[illegible]
Trade debts	-	-	-	[illegible]	-	[illegible]	[illegible]
Advances and other receivable	[illegible]	-	[illegible]	[illegible]	-	[illegible]	[illegible]
Cash and bank balances	[illegible]	-	[illegible]	[illegible]	-	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	[illegible]	-	[illegible]	[illegible]
Interest accrued on long term financing	-	-	-	[illegible]	-	[illegible]	[illegible]
Short term borrowing	[illegible]	-	[illegible]	[illegible]	-	[illegible]	[illegible]
	[illegible]	-	[illegible]	[illegible]	-	[illegible]	[illegible]
Excess of financial assets over financial liabilities	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]

33. DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Following information has been disclosed with reference to circular no. 14 of 2016 dated April 21, 2016, issued by the Securities and Exchange Commission of Pakistan relating to 'All Shares Islamic

Description	Explanation
i) Advances	Non-interest bearing
ii) Long term deposits	Both Interest and non-interest bearing
iii) Short term borrowings	Both Interest and non-interest bearing
iv) Relationship with banks having Islamic windows	Following is the nature of relationship of the Company with the banks having Islamic window of operaton: 1. Al Barka Bank Pakistan Limited (Islamic) 2. Dubai Islamic Bank (Islamic) 3. Bank Al Habib Limited (Conventional) 4. United Bank Limited (Conventional) 5. National Bank of Pakistan (Conventional) 6. Faysal Bank Limited (Conventional) 7. MCB Limited (Conventional) 8. Meezan Bank Limited (Islamic) 9. J S Bank (Conventional) 10 Samba Bank Limited(Conventional) 11 Habib Bank Limited(Conventional)

	Rupees
v) Bank balances as at June 30, 2018	
Placed under interest arrangement	46,023,679
Placed under Shariah permissible arrangement	66,415
vi) Interest income on bank deposits for the year	
Placed under interest arrangement	4,231,203
Placed under Shariah permissible arrangement	3,128
vii) Unrealized gain on short term investments	
Placed under Shariah permissible arrangement	(3,122,589)

viii) All sources of other income	Disclosed in note 25
ix) Exchange gain	Earned from actual foreign currency re-translation

Disclosures other than above are not applicable to the Company.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the company is exposed to market risk comprising interest rate risk, currency risk and other price/equity risk, credit risk and liquidity risk. The company's principal financial liabilities comprise long term borrowings, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for company's operations. The company has various financial assets such as deposits, trade debts, prepayments and other receivables and cash and bank balances, which are directly related to its operations. The company's finance departments oversees the management of these risks and provide assurance to the company's senior management that the company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and risk appetite. No changes were made in the objectives, policies, procedures and assumptions during the year ended June 30, 2018. The policies for managing each of these risks are summarized below:

34.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, and other price risk, such as equity risk. Financial instruments susceptible to/affected by market risk include loans, borrowings and deposits. The sensitivity analysis in the following sections relate to the position as at June 30, 2018 and 2017.

34.1.1 Interest rate risk:

Interest rate risk represents the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long term interest bearing financial assets. The Company's interest rate risk arises from long term financing. Borrowings obtained at variable rates exposes the Company to cash flow interest rate risk. Borrowings obtained at fixed rate exposes the company to fair value interest rate risk.

	2018 Rupees	2017 Rupees
Fixed rate instruments		
Financial liabilities		
Short term borrowings	415,046,998	415,046,998
Financial assets		
Security deposits with SNGPL	12,258,026	8,638,028
Floating rate instruments		
Financial assets		
Bank balances-deposit account	46,090,094	21,468,134

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, change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 460,909/- (2017: Rupees 214,681/-) higher / lower. The analysis is prepared assuming the amounts of bank balances outstanding at the balance sheet date were outstanding for the whole year.

34.1.2 Currency risk / Foreign Exchange risk:

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. Currency risk arises mainly from future commercial transactions or receivables or payables that exist due to transactions in foreign currencies.

Financial assets include Rs. 205,220/- (2017: Rs. 173,591/-) which were subject to currency risk.

At June 30, 2018, 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. 10,261/- (2017 : Rs. 8,680/-) higher / lower, mainly as a result of foreign exchange gains / losses on translation of foreign currency denominated trade debts and foreign currency bank accounts.

34.1.3 Other price risk / Equity Price risk:

Other price risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investments in securities. As at balance sheet date, the Company is not exposed to equity price risk as the Company do not have any investments in equity market.

34.2 Credit risk and concentration of credit risk:

Credit risk is the risk representing accounting loss that would be recognized at the reporting date if one party to a financial instrument will fail to discharge an obligation or its failure to perform duties under the contract as contracted. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is mainly exposed to credit risk on trade debts amounting to Rs. 45.030 million (2017: Rs. 35.173 million). Company seeks to minimize the credit risk exposure through having exposure only to customers and suppliers considered credit worthy and also by obtaining advance against sales from customers. The carrying values of financial assets which are neither past due nor impaired are as under:

	2018	2017
FINANCIAL ASSETS	**Rupees**	**Rupees**
Long term deposits	15,038,156	11,418,156
Trade debts	45,030,153	35,173,503
Advances, deposits and other receivable	263,073	1,392,517
Cash and bank balances	120,898,354	102,152,147
	181,229,736	150,136,323

Credit quality of financial assets

The credit quality of the company's financial assets have been assessed below by reference to external credit ratings of counterparties determined by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit rating determined based on their historical information for any defaults in meeting obligations.

	Rating			2018	2017
	Short term	**Long term**	**Agency**	**Rupees**	**Rupees**
Bank balances					
Al-Baraka Bank Limited	A1	A	PACRA	75,369	1,091,066
Dubai Islamic Bank Limited	A-1	AA-	JCR-VIS	14,401	14,170
Faysal Bank Limited	A1+	AA	PACRA	666	666
Habib Bank Limited	A-1+	AAA	JCR-VIS	3,799,656	60,060
JS Bank Limited	A1+	AA-	PACRA	12,043,230	6,855,610
MCB Bank Limited	A1+	AAA	PACRA	10,981	10,981
Meezan Bank Limited	A-1+	AA	JCR-VIS	10,484	10,607
National Bank of Pakistan	A-1+	AAA	JCR-VIS	89,460	110,725
Samba Bank Limited	A-1	AA	JCR-VIS	851	851
Summit Bank Limited	A-1	A-	JCR-VIS	26,048,870	10,037,275
United Bank Limited	A-1+	AAA	JCR-VIS	78,518,453	83,722,402
				120,612,421	101,914,413
Short term investment					
NAFA Government Securities Liquid Fund		AAA(f)	PACRA	12,059,710	13,248,887
JS Investments (JS Islamic Fund)		AA-(f)	PACRA	7,869,417	9,808,259
				19,929,127	23,057,146

34.3 Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. The Company's production remained below its installed normal capacity. Working capital of the Company is positive as at the balance sheet date. The Company's 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 customer. As a result of these efforts, the working capital improved over the last year. Management also foresees that the working capital position will become more favorable in the period to come due to increased revenues from the continuous operation of plant and increase in demand and price of the yarn.

The table below summaries the maturity profiles of company's financial liabilities as on June 30, 2018 and 2017 based on contractual undiscounted payments date and present market interest rates.

	Within 1 year	More than 1 year and up to 5 years	Total
	---------- (Rupees) ----------		
June 30, 2018			
Trade and other payables	43,243,450	-	43,243,450
Accrued mark up	194,161,422	-	194,161,422
Short term borrowings	417,590,707	-	417,590,707
	654,995,579	-	654,995,579
June 30, 2017			
Trade and other payables	44,967,534	-	44,967,534
Accrued mark up	194,161,422	-	194,161,422
Short term borrowings	417,590,707	-	417,590,707
	656,719,663	-	656,719,663

34.4 Fair value of financial instruments:

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

34.5 Capital risk Management:

The Company's objectives when managing capital are to ensure the Company's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

35. CORRESPONDING FIGURES

35.1 Previous year figures have been rearranged and reclassified wherever necessary for the purpose of comparison.However no reclassification made in the corresponding figures.

35.2 Figures in these financial statements have been rounded off to the nearest Rupee.

36. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on October 05,2018 by the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**