

CHAKWAL SPINNING MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
CAPITAL AND LIABILITIES				
Share Capital and Reserves				
Authorized share capital:				
140,000,000 (2017: 100,000,000 of Rs.05/- each) ordinary shares of Rs.5/- each				
		700,000,000	500,000,000	500,000,000
Issued, subscribed and paid up share capital	7	200,000,000	200,000,000	200,000,000
Loan from directors	8	450,256,000	450,256,000	271,256,000
Accumulated loss		(689,648,887)	(599,371,061)	(249,314,434)
Surplus on revaluation of property, plant & equipment		140,797,695	168,073,740	175,803,662
		101,404,808	218,958,679	397,745,228
Non Current Liabilities				
Liabilities against asset subject to finance lease	9	-	-	-
Deferred liabilities	10	31,143,838	35,835,817	70,303,010
Current Liabilities				
Trade and other payables	11	432,232,519	427,516,622	529,588,509
Accrued mark- up	12	64,456,647	30,800,883	6,239,517
Short term borrowings	13	390,593,909	366,317,451	461,681,029
Current portion of non current liabilities	7	2,366,318	2,366,318	6,800,146
Unclaimed dividend		384,347	384,347	384,347
Provision for taxation	14	8,034,121	5,518,564	9,263,058
		898,067,861	832,904,185	1,013,956,606
Contingencies and Commitments				
	15	-	-	-
		1,030,616,507	1,087,698,681	1,482,004,844
ASSETS				
Non Current Assets				
Property, plant and equipment	16	905,708,090	984,231,480	1,043,624,762
Capital work in progress		-	-	1,259,810
Long term loans	17	5,065,431	4,897,425	6,151,146
Long term deposits	18	8,304,191	8,297,191	8,297,191
		919,077,712	997,426,096	1,059,332,909
Current Assets				
Stores and spares	19	8,288,944	7,504,615	8,476,966
Stock in trade	20	20,499,748	964,667	133,050,685
Trade debts	21	16,373,677	11,561,255	109,817,294
Loans and advances	22	21,769,816	24,683,001	168,619,387
Tax refunds due from the government	23	43,100,960	44,570,284	-
Trade deposits, prepayments and other receivables	24	501,772	436,716	966,840
Cash and bank balances	25	1,003,878	552,047	1,740,763
		111,538,795	90,272,585	422,671,935
		1,030,616,507	1,087,698,681	1,482,004,844

The annexed notes from 1 to 44 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales	26	201,244,580	536,175,239
Cost of sales	27	<u>(239,768,759)</u>	<u>(827,155,803)</u>
Gross Loss		(38,524,179)	(290,980,564)
Distribution cost	28	(887,210)	(281,400)
Administrative expenses	29	(24,773,845)	(37,052,135)
		<u>(25,661,055)</u>	<u>(37,333,535)</u>
Operating Loss		(64,185,234)	(328,314,099)
Finance cost	30	(33,685,849)	(30,282,759)
Other operating expenses	31	(800,000)	(920,525)
Other operating income	32	7,926,016	2,413,046
Loss before Taxation		<u>(90,745,067)</u>	<u>(357,104,337)</u>
Taxation	33	(2,515,557)	1,199,727
Loss after Taxation		<u><u>(93,260,624)</u></u>	<u><u>(355,904,610)</u></u>
Loss per Share - Basic & Diluted	34	<u><u>(2.33)</u></u>	<u><u>(8.90)</u></u>

The annexed notes from 1 to 44 form an integral part of these financial statements.


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Loss after taxation		(93,260,624)	(355,904,610)
Other comprehensive income for the year			
<i>Items that will not be reclassified to profit or loss:</i>			
Impairment loss on property, plant & equipment		(24,293,247)	-
Remeasurement of net defined benefit liability	7.1.3	-	(645,109)
Total comprehensive loss for the year		<u>(117,553,871)</u>	<u>(356,549,719)</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(90,745,067)	(357,104,337)
Adjustments for:		
- Depreciation	58,291,890	64,456,718
- Provision for gratuity	-	18,459,846
- Gain on disposal of property, plant and equipment	(426,016)	(2,192,515)
- Interest income	-	(6)
- Finance cost	33,685,849	30,282,759
	91,551,723	111,006,802
Operating profit / (loss) before working capital changes	806,656	(246,097,535)
(Increase) / decrease in current assets		
- Stores and spares	(784,329)	972,351
- Stock in trade	(19,535,081)	132,086,019
- Trade debts	(4,812,422)	98,256,039
- Loans and advances	2,913,185	82,243,475
- Tax refunds due from the government	1,596,420	13,672,949
- Trade deposits, prepayments and other receivables	(65,056)	530,124
Increase / (decrease) in current liabilities		
- Trade and other payables	4,715,897	(103,414,472)
	(15,971,386)	224,346,485
Cash used in operations	(15,164,730)	(21,751,050)
Finance cost paid	(30,085)	(5,721,393)
Gratuity paid	(4,691,979)	(33,914,628)
Long term advance	-	(19,012,411)
Income tax paid	(127,106)	(1,671,104)
Net cash used in Operating Activities	(20,013,900)	(82,070,586)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,900,000)	(22,482,924)
Addition in Capital work in progress	-	1,259,810
Long term loans	(168,006)	1,253,721
Long term deposits	(7,000)	-
Proceeds from disposal of property, plant and equipment	1,264,279	19,612,000
Interest Received	-	6
Net Cash used in Investing Activities	(3,810,727)	(357,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings - net	15,387,630	(14,265,578)
Loan from directors and others	8,888,828	97,902,000
Repayment of liabilities against assets subject to finance lease	-	(4,433,828)
Net Cash generated from Financing Activities	24,276,458	79,202,594
Net increase / (decrease) in cash and cash equivalents	451,831	(1,188,716)
Cash and cash equivalents at the beginning of the year	552,047	1,740,763
	1,003,878	552,047

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

Particulars	Share Capital	Accumulated Profit / (Loss)	Loan from Directors	Surplus on revaluation of property, plant & equipment	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2016 as previously reported	200,000,000	(249,314,434)	271,256,000	-	221,941,566
Impact of restatement	-	-	-	175,803,662	175,803,662
Balance as at June 30, 2016 as restated	200,000,000	(249,314,434)	271,256,000	175,803,662	397,745,228
Net loss for the year	-	(356,549,719)	-	-	(356,549,719)
Other comprehensive loss for the year	-	645,109	-	-	645,109
	-	(355,904,610)	-	-	(355,904,610)
Loan from Directors	-	-	179,000,000	-	179,000,000
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax	-	5,847,983	-	(7,729,922)	(1,881,939)
Balance as at June 30, 2017 as restated	200,000,000	(599,371,061)	450,256,000	168,073,740	218,958,679
Net loss for the year	-	(93,260,624)	-	-	(93,260,624)
Other comprehensive loss for the Year	-	-	-	(24,293,247)	(24,293,247)
	-	(93,260,624)	-	(24,293,247)	(117,553,871)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax	-	2,982,798	-	(2,982,798)	-
Balance as at June 30, 2018	200,000,000	(689,648,887)	450,256,000	140,797,695	101,404,808

The annexed notes from 1 to 44 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 1

The Company and its Operations

The Company was incorporated in Pakistan on January 31, 1988 as a Public Limited Company. Its shares are quoted on Pakistan Stock Exchanges Limited. The registered office of the Company is situated at 7/1, E-III, Main Boulevard Gulberg III, Lahore, While the production plants of the Company are located at 49-Km, Multan Road, Bhai Phero The Company is engaged in the business of textile spinning.

Note 2

Significant Transactions and Events Affecting the Company's Financial Position and Performance

2.1 Summary of significant events and transactions in the current reporting period:	2018 Impact in Rupees
Purchase of property, plant and equipment	4,900,000
Lease arrangement with associated company Yousaf Weaving Mills Limited	7,500,000
Accrued markup increased during the year	33,608,706
Decrease in revenue as compared to last year	334,930,659

Note 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:

- 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 Appropriateness of the Going Concern Assumption

The Company has to face difficult business conditions in the past years and mounted huge business losses which eroded its liquidity and it has to close its operation despite the fact that the management injected Rs 97.902 in the period ended June 2017. This bail out also get eroded due to heavy losses and the Company has to close its operation in March 2017. With continuous suffering the management of the Company remains eager to mobilize the sources and regain the lost confidence. The Chakwal Spinning Mills Limited and Yousaf Weaving Mills Limited are adjacent to each other therefore production facilities were leased out to Yousaf Weaving Mills Limited with the sole object to revive the Company which has closed its operation since March 2017. The aim was to put the Company on the track of continued operation which availed and the lease arrangement has been elapsed since March 31, 2018.

The operation of the Company has been resumed since April 01, 2018 and the operating results are for a period three months ended June 30, 2018.

As a result, the Company has incurred gross loss of Rs. 38.524 million and loss after taxation of Rs. 93.201 million during the year. The Company has accumulated losses of Rs. 689.649 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 786.529 million. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

Note 3 - Basis of Preparation ... Contd.

- (a) Management is optimistic and appreciate that the government has imposed antidumping duty and measures on import of yarn. The Government has also reduced import duty at zero percent on imported cotton which will help the industry as well as company to revive.
- (b) The Company is expecting that the present Government will give incentive to textile industry in terms of reduction in energy prices. Recently the Government has announced energy package for the industry which would cause a positive impact on the Company's operations.
- (c) The Company is negotiating with its bankers for re-structuring of its financial facilities to meet its working capital requirements.
- (e) The Company is also focusing on reduction of production costs by following measures:
 - i) Exploring new local markets / customers.
 - ii) Avail discount on early payments as allowed by the supplier if it is marginally feasible.
 - iii) Adopt just in time policy for procuring raw material and store items.
 - iv) Provide employee training to make them more efficient and diversified.
 - v) Eliminate low margin products.
 - vi) Employee effective cost control measures to minimize the product cost.

3.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except certain property, plant and equipment that have been stated at revalued amount and retirement benefits which have been recognized at present value determined by actuary. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

3.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3.5 Use of estimates and judgments

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 applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised 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.

These estimates and related assumptions are reviewed on an on-going basis. Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment; provisions for doubtful receivables; provisions for defined benefit plans; slow moving and obsolete inventory; recovery, trade debts and taxation.

4 Changes in Accounting Standards, Interpretations and Pronouncements

4.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

The Company has adopted the following accounting standard and the amendments which became effective for the current year:

- IAS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)
- IAS 12 - Income Taxes – Recognition of deferred Tax Assets for Unrealized Losses (Amendments)

Note 4 - Changes in Accounting Standards, Interpretations and Pronouncements ... Contd.

Improvements to Accounting Standards Issued by the IASB in December 2014

IFRS 12	- Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12
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4.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan and relevant to the Company, would be effective from the dates mentioned below against the respective standard or interpretation:

	Effective Date (Period beginning on or after)
-IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	January 01, 2018
-IFRS 9 'Financial Instruments: Classification and Measurement'	July 01, 2018
-IFRS 15 'Revenue from Contracts with Customers'	July 01, 2018
-IFRS 16 'Lease'	January 01, 2019
-IAS 23 'Borrowing Costs'	January 01, 2019

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application; except for IFRS 9, IFRS 15 and IFRS 16. The management is in the process of determining the effect of application of IFRS 9, IFRS 15 and IFRS 16.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	Effective Date (Period beginning on or after)
'-IFRS 14 'Regulatory Deferral Accounts'	January 1, 2016
'-IFRS 17 'Insurance Contracts '	January 1, 2021

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

Note 5

Significant Accounting Policies

5.1 Employee retirement benefits

The company operates an unfunded and unapproved gratuity scheme for its employees, which is a defined benefit plan based upon the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation at the end of the year. The valuation in these accounts is worked out on the Projected Unit Credit Actuarial Cost method.

Any Actuarial gains and losses are recognized immediately in the statement of other Comprehensive income.

5.2 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

*Note 5 - Significant Accounting Policies ... Contd.***5.3 Trade and other payables**

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

5.4 Taxation

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

Current

Charge for the current taxation for the year is based on taxable income at the current rates of taxation after taking into account tax rebates and credits available, if any.

Deferred

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 bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits are available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits would be available to allow all or part of deferred tax assets to be utilized. Tax rates enacted at the balance sheet date are used to determine deferred income tax.

5.5 Property, plant and equipment***Owned***

Property, plant and equipment are stated at cost/revalued amount less accumulated depreciation and identified impairment losses except free hold land which is stated at Cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets into working condition.

Depreciation is charged to income on reducing balance method at the rates specified in Note 16. Full month's depreciation is charged on additions during the month, whereas no depreciation is charged on the assets disposed off during the month. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods 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 replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year income.

Leased

The Company accounts for assets acquired under finance lease by recording assets and related liabilities. Principal values are determined on the basis of discounted values of total minimum lease payments to be paid by the Company. Finance costs are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on outstanding liabilities. Depreciation is charged on the same basis as owned assets at the rates specified in Note 16 to write off the cost of assets over their estimated useful life.

Capital work-in-progress is stated at cost less any identified impairment loss.

Note 5 - Significant Accounting Policies ... Contd.

5.6 Stock and stores

These have been valued at the lower of cost and net realizable value. Cost has been determined as follows:

Stores and spare parts	- at moving average cost
Raw materials	- at average cost
Work in process	- at average manufacturing cost using average cost method
Finished goods	- at average manufacturing cost
Goods in transit	- at cost comprising invoice value plus other charges incurred thereon

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labour and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less necessary cost to make the sale.

5.7 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful debts and receivables based on review of outstanding amounts at the period end. Balances considered bad and irrecoverable are written off when identified.

5.8 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Financial instruments are initially recorded at fair value on the date of acquisition or date of contract and are re-measured to fair value at subsequent reporting dates.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account.

5.9 Off-setting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.10 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash at banks in current and saving accounts.

5.11 Impairment

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

5.12 Related party transactions

Transactions with related parties are made at arm's length prices using comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

5.13 Dividend distribution

Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Note 5 - Significant Accounting Policies ... Contd.

5.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sales of goods are recognized when goods are delivered and title has been passed.
- Export rebate is recognized on accrual basis at the time of making the export sales.
- Profit on saving accounts is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective profit rate applicable.

Note 6

Change in Accounting Policy

- The Company has changed its accounting policy for the presentation and treatment of Surplus on Revaluation of Property, Plant and Equipment in line with the requirements of newly promulgated Companies Act, 2017 which does not stipulate any special treatment for revaluation surplus and therefore allows the presentation prescribed under IAS 16 "Property, Plant and Equipment". Thus, the Surplus on Revaluation of Property, Plant and Equipment is presented as equity. This change in policy is applied retrospectively in accordance with the requirements of IAS 8 "Accounting, Policies, Changes in Accounting Estimates and Errors" with effect from earliest period presented in these financial statements. Since section 235 of the repealed Companies Ordinance, 1984 has lost its application, the revaluation surplus which was previously shown as a separate line item on statement of financial position, has now been presented in equity for the year ended June 30 2017, and figures have been restated accordingly.
- In view of the above, the accounting policy for the presentation and treatment of Surplus on Revaluation of Property, Plant and Equipment is given below:
- Increase in the carrying amounts arising on revaluation of land and buildings are recognized, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the Revaluation surplus on land and building to retained earnings.

As at June 30, 2017			As at June 30, 2016		
As previously reported on June 30, 2017	Adjustment	As restated on June 30, 2017	As previously reported on June 30, 2016	Adjustment	As restated on June 30, 2016

-----Rupees in thousand-----

Effect on statement of financial

Revaluation surplus on property, plant and equipment

168,074	(168,074)	-	175,804	(175,804)	-
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Share capital and reserves

50,885	168,074	218,959	221,941	175,804	397,745
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Effect on statement of changes in equity

-	168,074	168,074	-	175,804	175,804
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There was no cash flow impact as a result of the retrospective application of change in accounting policy.

Note 7
Issued, Subscribed and Paid up Capital

2018	2017		2018	2017
			Rupees	Rupees
40,000,000	40,000,000	Ordinary shares of Rs. 5 each (2016: Rs. 5) fully paid in cash.	200,000,000	200,000,000

- 7.1 The paid up capital of the company was reduced to the extent of 50% i.e. Rs. 200 million during the year 2013 by cancelling the issued and paid up capital of the company which has been lost are un-presented by its valuable assets as per orders of honorable Lahore High Court, Lahore vide CO No.54/2011 duly acknowledged by Securities and Exchange Commission of Pakistan.

Note 8
Loan from Directors

	2018	2017
	Rupees	Rupees
	450,256,000	450,256,000

- 8.1 The director of the Company had advanced loan in previous years to meet working capital requirements. Due to cash flow problems, the Company could not return back this loan. To keep the Company going special resolution was passed by the shareholders of the Company in its Extra Ordinary General Meeting held on May 31, 2018 to convert the directors' loan of Rs. 407,881,000 into 81,576,200 Ordinary Shares at Rs. 5 per share by way of shares otherwise than right under Section 83 of Companies Act, 2017. Subsequent to the balance sheet date share have been issued to following directors;

i)	Khawaja Mohammad Jawed	24,841,000	shares
ii)	Khawaja Mohammad Kaleem	53,135,200	shares
iii)	Khawaja Mohammad Jahangir	3,600,000	shares
		81,576,200	shares

Note 9
Liabilities against Assets Subject to Finance Lease

	2018		2017	
	Minimum Lease Payments	Finance Charge	Minimum Lease Payments	Finance Charge
	-----Rupees-----			
Not later than one year	2,431,516	65,208	2,431,516	65,208
Later than one year and not later than five years	-	-	-	-
	2,431,516	65,208	2,431,516	65,208

- 9.1 This represents lease of Auto Cone with Habib Metropolitan Bank Limited. The principal amount of lease amount to Rs. 18 million carry mark-up @ 13.16% repayable in 36 equal monthly installments starting from 18-05-2014. Last installment was due on 18-05-2017 which is still outstanding.

Note 10
Deferred Liability

		2018	2017
	Note	Rupees	Rupees
Gratuity payable	10.1	2,150,167	6,842,146
Long term advances	10.2	28,993,671	28,993,671
		31,143,838	35,835,817

Note 10 - Deferred Liabilities ... Contd.

10.1 Staff Gratuity-Defined Benefit Plan

10.1.1 The Company operates unfunded gratuity scheme for its employees that pays a lump sum gratuity to members on leaving company's service after completion of one year of continuous service. The latest actuarial valuation was carried out by TRT Associates as on June 30, 2017. During the year the Company has terminated employment contracts of all the employees due to shut down of production facility and payoff gratuity payable except few employees. Since no employee becomes eligible for gratuity during current reporting year, therefore neither actuarial valuation is carried out nor any gratuity expense is accounted for.

	2018	2017
	Rupees	Rupees
10.1.2 Present value of defined benefit obligation	<u>2,150,167</u>	<u>6,842,145</u>

10.1.3 The amounts recognized in the profit and loss account and balance sheet are as follows:

Current service cost	-	17,427,615
Interest cost	-	387,122
Actuarial (gain)/Loss	-	-
	<u>-</u>	<u>17,814,737</u>
At the beginning of the year	6,842,145	22,296,927
Amount recognized during the year - as shown	-	17,814,737
Benefits payments	(4,691,979)	(33,914,628)
Remeasurement chargeable in other comprehensive Income	-	645,109
	<u>2,150,166</u>	<u>6,842,145</u>

10.1.4 Allocation of charge for the year

Cost of sales	27	-	15,942,650
Administrative expenses	29	-	1,872,087
		<u>-</u>	<u>17,814,737</u>

Discount rate	-	7.25%
Expected rate of increase in salary	-	6.75%
Average expected remaining working life of Employees	-	7 years
Mortality Rates	-	SLIC 2001-2005
Withdrawal Rates	-	Setback 1 year
Retirement assumption	-	Age-Based
		(per appendix)
		60 years age

10.2 This represents an interest free and unsecured long term advance received from a customer against the exclusive sale commitment of a particular quality of waste to him for a period of six years. The same has been extended / renewed for a further period of three years and shall be adjusted in August 2020 or shall be extended / renewed for a further term as mutually agreed between the parties.

Note 11

Trade and Other Payables

		2018	2017
	Note	Rupees	Rupees
Creditors - Unsecured	11.1	237,839,573	241,177,872
Accrued liabilities		156,135,122	160,050,614
Other liabilities		2,020,831	67,861
Advances from customers	11.2	10,707,626	879,497
Income tax payable		5,840,705	5,652,116
Sales Tax Payable		19,688,662	19,688,662
		<u>432,232,519</u>	<u>427,516,622</u>

Note 11 - Trade and Other Payables ... Contd.

11.1 This includes an amount of Rs. 2,061,975 (2017: Rs. 1,961,975) and Rs. 15,710,094 (2017: Rs. 12,304,096) due to related party Kohinoor Spinning Mills Limited and Chakwal Textile Mills Limited.

11.2 This include advance received from Yousaf Weaving Mills Limited amounting to Rs. 2,353,144 (2017: Rs. Nil)

Note 12

Accrued Mark-up

	2018	2017
	Rupees	Rupees
Accrued mark up on:		
- Liability against assets subject finance lease	174,539	127,480
- Short term borrowings	64,282,108	30,673,403
	<u>64,456,647</u>	<u>30,800,883</u>

Note 13

Short Term Borrowings

		2018	2017
	Note	Rupees	Rupees
Banking companies - Secured			
- Running / cash finance	13.1	352,694,910	352,694,910
- Unpresented cheques	13.2	15,387,630	-
Related parties - Unsecured			
- Loan from directors and others	13.3	22,511,369	13,622,541
		<u>390,593,909</u>	<u>366,317,451</u>

13.1 These represent utilized portion of short term finance facilities of Rs. 350 million (2017: Rs. 350 million) available from various banks under mark up arrangements. These are secured current assets, fixed assets and personal guarantees of directors. Mark-up on the above facilities ranges from 3 months Kibor plus 2% per annum, payable quarterly. These facilities has been expired on September 30, 2016.

13.2 This represents cheques issued in excess of bank balance that have not been presented at the balance sheet date but have been cleared subsequently.

13.3 These are un-secured and interest free funds obtained from the directors to meet the working capital requirements of the Company. These loans are repayable on demand.

Note 14

Provision for Taxation - Net

		2018	2017
	Note	Rupees	Rupees
Balance at the beginning of the year		5,518,564	9,263,058
Advance tax adjustment		-	(4,426,704)
Prior year reversal / adjustment		-	(4,836,354)
Provision for the year	14.1	2,515,557	5,518,564
Balance at the end of the year		<u>8,034,121</u>	<u>5,518,564</u>

14.1 The provision for current year tax represents minimum tax on under section 113 of Income tax ordinance 2001. Sufficient tax provision has been incorporated in these financial statements.

14.2 Assessments upto and including tax year 2017 have been finalized by deeming provisions of the Income Tax Ordinance, 2001.

14.3 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available. The comparison of estimated provision for taxation and actual tax assessed as per income tax return filed for previous years can be analyzed as follows:

Note 14 - Provision for Taxation - Net ... Contd.

	2015	2016	2017
Provision for Taxation	21,332,556	10,639,347	5,518,564
Tax assessed	15,134,771	1,271,019	-

Note 15

Contingencies and Commitments

Contingencies

- 15.1 The Company has provided bank guarantee in favour of Sui Northern Gas Pipelines Limited amounting to Rs.38.522 million (2017: Rs.38.522 million) on account of payment of dues against consumption of natural gas.
- 15.2 Tax liability for Rs. 4,870,776 (2017: Rs. 4,870,776) has been demanded by the concerned assessing officer for the various assessment years against which company has filed appeals. No provision for this amount has been made because the management is confident that the decision shall be in favour of the company.
- 15.3 Habib Metropolitan Bank Limited filed a suit against the Company and Others before the Lahore High Court vide COS No.126873/2018, wherein the Bank claimed recovery of Rs. 359.375 million inclusive of principal and mark up amounts. This suit is still pending adjudication. The amount involved in this case is the same as claimed by the Bank. This case is being vigorously and diligently contested by the Company and there are good chances of a favorable result in this case. Sufficient provision of markup have been made in these financial statement.
- 15.4 The Company has filed a suit against Habib Metropolitan Bank Limited before the Lahore High Court vide COS No.219125/2018, wherein along with other prayers recovery of Rs. 2,306.246 million has also been claimed. This suit is still pending adjudication. There is no scope of any loss to the Company in the instant matter. This case is being vigorously pursued by the Company.

Commitments

- 15.5 There is no commitments of the company for the year ended June 30, 2018 (2017: Nil).

Note 16
Property, Plant and Equipment

PARTICULARS	2018										Total
	Freehold land	Factory Buildings on free hold land	Colony Buildings on free hold land	Plant & Machinery	Power House	Tools & equipment	Office equipment	Furniture and fixtures	Vehicles		
OWNED											
COST/REVALUED AMOUNT											
Balance as at July 01, 2017	74,520,000	314,212,817	100,947,165	1,182,504,973	154,449,284	5,186,925	1,698,383	2,940,455	13,218,040	1,849,678,042	
Additions	-	-	-	4,900,000	-	-	-	-	-	4,900,000	
Revaluation	8,292,500	7,235,280	3,669,050	-	-	-	-	-	-	19,196,830	
Impairment	-	-	-	(43,490,077)	-	-	-	-	-	(43,490,077)	
Deletions	-	-	-	-	-	-	-	-	(1,617,000)	(1,617,000)	
Balance as at June 30, 2018	82,812,500	321,448,097	104,616,215	1,143,914,896	154,449,284	5,186,925	1,698,383	2,940,455	11,601,040	1,828,667,795	
DEPRECIATION											
Balance as at July 01, 2017	-	194,146,947	40,061,105	561,163,196	76,683,384	2,051,350	881,671	2,017,559	9,146,330	886,151,542	
Charge for the year	-	11,975,164	6,072,671	30,497,738	7,776,590	313,558	81,671	92,290	446,959	57,256,641	
Deletions	-	-	-	-	-	-	-	-	(778,747)	(778,747)	
Balance as at June 30, 2018	-	206,122,111	46,133,776	591,660,934	84,459,974	2,364,908	963,342	2,109,849	8,814,542	942,629,436	
Written Down Value as at June 30, 2018	82,812,500	115,325,986	58,482,439	552,253,962	69,989,310	2,822,017	735,041	830,606	2,786,498	886,038,359	
Rates %	-	10%	10%	5% & 10%	10%	10%	10%	10%	20%	20%	
LEASED											
COST/REVALUED AMOUNT											
PLANT AND MACHINERY											
Balance as at July 01, 2017	-	-	-	24,352,205	-	-	-	-	-	24,352,205	
Additions	-	-	-	-	-	-	-	-	-	-	
Balance as at June 30, 2018	-	-	-	24,352,205	-	-	-	-	-	24,352,205	
Depreciation											
Balance as at July 01, 2017	-	-	-	3,647,225	-	-	-	-	-	3,647,225	
Charge for the year	-	-	-	1,035,249	-	-	-	-	-	1,035,249	
Balance as at June 30, 2018	-	-	-	4,682,474	-	-	-	-	-	4,682,474	
Written Down Value as at June 30, 2018	-	-	-	19,669,731	-	-	-	-	-	19,669,731	
WDV 2018 - GRAND TOTAL	82,812,500	115,325,986	58,482,439	571,923,693	69,989,310	2,822,017	735,041	830,606	2,786,498	905,708,090	

Note 16 - Property, Plant and Equipment ... Contd.

PARTICULARS	2017										Sub Total	
	Freehold land	Factory Buildings on free hold land	Colony Buildings on free hold land	Plant & Machinery	Power House	Tools & equipment	Office equipment	Furniture and fixtures	Vehicles			
OWNED												
COST/REVALUED AMOUNT												
Balance as at July 01, 2016	74,520,000	305,195,443	98,003,615	1,203,806,206	145,949,284	5,186,925	1,698,383	2,918,455	18,793,170			1,856,071,481
Additions	-	9,017,374	2,943,550	2,000,000	8,500,000	-	-	22,000	-			22,482,924
Deletions	-	-	-	(23,301,233)	-	-	-	-	(5,575,130)			(28,876,363)
Transfer / Adjustment	-	-	-	-	-	-	-	-	-			-
Balance as at June 30, 2017	74,520,000	314,212,817	100,947,165	1,182,504,973	154,449,284	5,186,925	1,698,383	2,940,455	13,218,040			1,849,678,042
DEPRECIATION												
Balance as at July 01, 2016	-	180,968,874	33,325,812	535,854,897	68,278,840	1,702,953	790,925	1,915,422	11,403,714			834,241,437
Charge for the year	-	13,178,073	6,735,293	33,212,061	8,404,544	348,397	90,746	102,137	1,295,731			63,366,982
Deletions	-	-	-	(7,903,762)	-	-	-	-	(3,553,115)			(11,456,877)
Transfer / Adjustment	-	-	-	-	-	-	-	-	-			-
Balance as at June 30, 2017	-	194,146,947	40,061,105	561,163,196	76,683,384	2,051,350	881,671	2,017,559	9,146,330			886,151,542
Written Down Value as at June 30, 2017	74,520,000	120,065,870	60,886,060	621,341,777	77,765,900	3,135,575	816,712	922,896	4,071,710			963,526,500
Rates %	-	10%	10%	5% & 10%	10%	10%	10%	10%	20%			-
LEASED												
PLANT AND MACHINERY												
Balance as at July 01, 2016	-	-	-	24,352,205	-	-	-	-	-			24,352,205
Additions	-	-	-	-	-	-	-	-	-			-
Balance as at June 30, 2017	-	-	-	24,352,205	-	-	-	-	-			24,352,205
Depreciation												
Balance as at July 01, 2016	-	-	-	2,557,489	-	-	-	-	-			2,557,489
Charge for the year	-	-	-	1,089,736	-	-	-	-	-			1,089,736
Transfer / Adjustment	-	-	-	-	-	-	-	-	-			-
Charge for the year	-	-	-	3,647,225	-	-	-	-	-			3,647,225
Balance as at June 30, 2017	-	-	-	20,704,980	-	-	-	-	-			20,704,980
Written Down Value as at June 30, 2017	74,520,000	120,065,870	60,886,060	642,046,757	77,765,900	3,135,575	816,712	922,896	4,071,710			984,231,480

16.1 The depreciation charge for the year has been allocated as under:

	Note	2018 Rupees	2017 Rupees
Cost of sales	27	57,670,970	62,968,105
Administrative expenses	29	620,920	1,488,613
		<u>58,291,890</u>	<u>64,456,718</u>

16.2 Detail of items of Property, plant & equipment Disposed off during the year

2018							
Particulars	Cost / Revalued	Accumulated Depreciation	Written Down Value	Disposal Proceeds	Gain/(Loss)	Mode of disposal	Particulars of Purchaser
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles							
Honda Citi LEB-15-8626	1,617,000	778,747	838,253	1,264,269	426,016	Negotiation	Muhammad
	<u>1,617,000</u>	<u>778,747</u>	<u>838,253</u>	<u>1,264,269</u>	<u>426,016</u>		

2017							
Particulars	Cost / Revalued	Accumulated Depreciation	Written Down Value	Disposal Proceeds	Gain/(Loss)	Mode of disposal	Particulars of Purchaser
	Rupees	Rupees	Rupees	Rupees	Rupees		

Plant & Machinery

Auto Cone Murata Mach Cone 7-II (2 No's)	8,501,652	4,764,707	3,736,945	4,032,000	295,055	Negotiation	Abdul Hafeez
Air Compressor L-37	750,549	450,505	300,044	100,000	(200,044)	Negotiation	Abdul Hafeez
Murata Doubling Machines 368 TFO (6 No's)	14,049,032	2,688,551	11,360,481	11,340,000	(20,481)	Negotiation	Abdul Hafeez
	<u>23,301,233</u>	<u>7,903,763</u>	<u>15,397,470</u>	<u>15,472,000</u>	<u>74,530</u>		

Vehicles

Suzuki Cultus LEB-15-8626	1,091,000	344,271	746,729	850,000	103,271	Negotiation	Mirza Saifullah
Toyota Corolla XLI LEB-10-5278	1,305,000	1,047,884	257,116	1,000,000	742,884	Negotiation	Ibrar Khaliq
Toyota Corolla GLI LED-10-7793	1,529,095	1,152,887	376,208	1,050,000	673,792	Negotiation	Aftab Ahmad
Honda City LE-13-8970	1,550,035	942,917	607,118	1,200,000	592,882	Negotiation	Talat Mahmood
Honda CG-125 LEP-12-A-8025	100,000	65,156	34,844	40,000	5,156	Negotiation	Muhammad Aslam
	<u>5,575,130</u>	<u>3,553,115</u>	<u>2,022,015</u>	<u>4,140,000</u>	<u>2,117,985</u>		
	<u>28,876,363</u>	<u>11,456,878</u>	<u>17,419,485</u>	<u>19,612,000</u>	<u>2,192,515</u>		

16.3 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location / Address	Usage of immovable property	Total Area (In Kanals)	Covered Area (In sq. ft.)
49-Km, Multan Road, Bhai Phero	Production unit	132.5	298,440

Note 17
Long Term Loans

	Note	2018 Rupees	2017 Rupees
Loans to employees - Unsecured and considered good	17.1	5,628,257	5,317,425
Current portion		(562,826)	(420,000)
		<u>5,065,431</u>	<u>4,897,425</u>

17.1 These represent interest free long term loans given to employees (other than chief executive, and directors) as per the policy of the Company, as house building finance.

Note 18
Long Term Deposits

	2018 Rupees	2017 Rupees
Deposits against:		
- Utilities	2,151,246	2,151,246
- Margin on letter of guarantee	6,152,945	6,145,945
	<u>8,304,191</u>	<u>8,297,191</u>

Note 19
Stores and Spares

	2018 Rupees	2017 Rupees
Stores	5,802,261	5,628,461
Spares	2,486,683	1,876,154
	<u>8,288,944</u>	<u>7,504,615</u>

19.1 No store and spare held for capitalization as on June 30, 2018 (2017: Nil)

Note 20
Stock in Trade

	2018 Rupees	2017 Rupees
Raw materials	6,649,511	964,667
Work in process	9,620,385	-
Finished goods	4,229,852	-
	<u>20,499,748</u>	<u>964,667</u>

20.1 Raw materials and finished goods are under first charge by way of pledge as security for certain short term borrowings (refer to Note 13).

Note 21
Trade Debts

	Note	2018 Rupees	2017 Rupees
Local - Unsecured and considered good	21.1	<u>16,373,677</u>	<u>11,561,255</u>

21.1 Trade debts do not include any amount due from related parties (2017: Nil).

Note 22
Loans and Advances

	Note	2018 Rupees	2017 Rupees
Current portion of loans to employees	15	562,826	420,000
Advances - Considered good			
- Suppliers and contractors	22.1	21,139,110	23,408,382
- Employees	22.2	67,880	854,619
		<u>21,769,816</u>	<u>24,683,001</u>

22.1 This includes Rs. 9,456,551 (2017: Rs. 263,043) due from Yousaf Weaving Mills Limited.

22.2 Amount due from directors, chief executive and executives of the Company is Nil (2017: Nil)

Note 23
Tax refunds due from the government

	2018 Rupees	2017 Rupees
Tax deducted at source and advance tax	18,921,865	18,794,769
Sales tax refundable - Net	24,179,095	25,775,515
	<u>43,100,960</u>	<u>44,570,284</u>

Note 24
Trade Deposits, Prepayments and Other Receivables

	2018 Rupees	2017 Rupees
Prepayments	501,772	429,716
Other receivables	-	7,000
	<u>501,772</u>	<u>436,716</u>

Note 25
Cash and Bank Balance

	2018 Rupees	2017 Rupees
Cash in hand	46,828	112,690
Cash with banks in Current accounts	957,050	439,357
	<u>1,003,878</u>	<u>552,047</u>

Note 26
Sales

	2018 Rupees	2017 Rupees
Local - Yarn Sales	197,195,399	539,540,382
Waste Sales	4,049,181	9,902,930
	<u>201,244,580</u>	<u>549,443,312</u>
Sales tax	-	(10,558,334)
Discounts / Commission to selling agents	-	(2,709,739)
	-	(13,268,073)
	<u>201,244,580</u>	<u>536,175,239</u>

Note 27
Cost of Sales

	Note	2018 Rupees	2017 Rupees
Raw materials consumed	27.1	140,944,021	391,884,785
Salaries, wages and benefits	27.2	28,966,801	112,423,533
Fuel and power		16,133,452	112,971,060
Abnormal stock spoilage		-	35,464,173
Store and spares consumed		5,633,941	35,733,444
Packing material		3,118,475	13,290,274
Repairs and maintenance		508,036	7,244,044
Insurance		-	1,899,857
Travelling and conveyance		643,300	-
Depreciation	16	57,670,970	62,968,105
		<u>253,618,996</u>	<u>773,879,275</u>
		2018	2017
		Rupees	Rupees
Work in process			
- Opening		-	45,458,786
- Closing		(9,620,385)	-
		<u>(9,620,385)</u>	<u>45,458,786</u>
Cost of goods manufactured		<u>243,998,611</u>	<u>819,338,061</u>
Finished goods			
- Opening stock		-	7,817,742
- Closing stock		(4,229,852)	-
		<u>(4,229,852)</u>	<u>7,817,742</u>
		<u>239,768,759</u>	<u>827,155,803</u>
27.1 Raw materials consumed:			
Opening stock		964,665	79,774,156
Purchases during the year		146,628,867	350,269,970
		<u>147,593,532</u>	<u>430,044,126</u>
Sales during the year		-	(1,730,503)
Abnormal stock spoilage		-	(35,464,173)
Closing stock		(6,649,511)	(964,665)
		<u>140,944,021</u>	<u>391,884,785</u>

27.2 This includes Rs. Nil (2017: Rs. 15,942,650) in respect of employee benefits - gratuity scheme.

Note 28
Distribution Cost

	2018 Rupees	2017 Rupees
Salaries, wages and benefits	403,560	-
Freight	483,650	281,400
	<u>887,210</u>	<u>281,400</u>

Note 29
Administrative Expenses

	Note	2018 Rupees	2017 Rupees
Salaries, wages and benefits	29.1	3,479,380	14,679,844
Director' remuneration		12,000,000	12,000,000
Travelling and conveyance		44,670	343,102
Rent, rates and taxes		1,600,000	2,569,684
Postage, fax and telephone		182,765	592,965
Repairs and maintenance		218,655	175,683
Insurance		-	231,934
Utilities		430,404	1,147,280
Printing and stationery		223,854	472,852
Entertainment		136,495	451,235
Vehicle running and maintenance		748,740	1,430,856
Fees and subscriptions		1,808,297	644,787
Legal and professional charges		2,923,000	761,000
Advertisement and publicity		155,800	27,300
Depreciation	13.2	620,920	1,488,613
Miscellaneous		200,865	35,000
		<u>24,773,845</u>	<u>37,052,135</u>

29.1 This includes Rs.Nil (2017: Rs. 1,872,087) in respect of employee benefits - gratuity scheme.

Note 30
Finance Cost

	2018 Rupees	2017 Rupees
Finance lease charges	47,059	556,676
Short term borrowings	33,608,706	29,052,008
Bank charges and commission	30,084	674,075
	<u>33,685,849</u>	<u>30,282,759</u>

Note 31
Other Operating Expenses

	Note	2018 Rupees	2017 Rupees
Auditors' remuneration	31.1	800,000	700,000
Loss on disposal of property, plant and equipment		-	220,525
		<u>800,000</u>	<u>920,525</u>
31.1 Auditors' remuneration			
Audit fee		650,000	550,000
Half yearly review and code of corporate governance		150,000	150,000
		<u>800,000</u>	<u>700,000</u>

Note 32
Other Operating Income

	2018 Rupees	2017 Rupees
Income from non financial assets		
Gain on sale of property, plant and equipment	426,016	2,413,040
Rental income	7,500,000	-
Interest Income	-	6
	<u>7,926,016</u>	<u>2,413,046</u>

Note 33
Taxation

Current			
-	For the year	2,515,557	5,518,564
-	Reversal Prior years	-	(4,836,354)
Deferred		-	(1,881,937)
		<u>2,515,557</u>	<u>(1,199,727)</u>

- 33.1 Deferred tax asset amounting to Rs. 52.715 million (2017: 44.698 million) arising mainly due to brought forward losses amounting to Rs. 317.095 (2017: 555 million) has not been recognized in the current year, as the attributable temporary differences are not expected to reverse in the foreseeable future.

Note 34
Loss per Share

		2018	2017
		Rupees	Rupees
Loss after taxation	Rupees	(93,260,624)	(355,904,610)
		Number of shares	
Weighted average number of ordinary shares outstanding during the year	Number	40,000,000	40,000,000
Loss per share - basic & diluted	Rupees	<u>(2.33)</u>	<u>(8.90)</u>
Loss per share - diluted		<u>(2.33)</u>	<u>(8.90)</u>

- 34.1 There is no dilution effect on the basic loss per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 35
Remuneration of Chief Executive, Directors' and Executives

The aggregate amounts charged in the accounts for the year as remuneration and benefits to the chief executive, directors and executive of the Company are as follows:

	2018		2017	
	Director	Executives	Director	Executives
	-----Rupees-----			
			Restated	Restated
Managerial Remuneration	8,000,000	-	8,000,000	2,400,000
House rent allowance	3,200,000	-	3,200,000	1,080,000
Medical	172,610	-	-	-
Utilities	738,656	-	800,000	408,944
	<u>12,111,266</u>	-	<u>12,000,000</u>	<u>3,888,944</u>
Number of persons	1		1	2

- 35.1 An executive is defined as an employee, other than the chief executive and directors, whose basic salary exceeds Rs. 1.2 million in a financial year. Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017 (Previously, basic salary limit for executive was Rs. 500,000).

Note 36
Transactions with Related Parties

The related parties comprise associated companies, related group companies, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Note 36 - Transactions with Related Parties ... Contd.

Particulars	Relationship	2018	2017
Rupees in million			
Purchase of material, goods and services			
Yousaf Weaving Mills Limited	Associates	-	0.061
Chakwal Textile Mills Limited	Associates	-	15.270
Sale of materials			
Yousaf Weaving Mills Limited	Associates	2.725	-
Rental income from Yousaf Weaving Mills Limited	Associates	7.500	-
Loan (received from) / repaid - net	Director	8.889	(97.902)

Note 37

Financial Risk Management

37.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

a) 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 foreign currency, interest rate, commodity price and equity price that will effect the Company's income or the value of its holdings of financial instruments.

i) Currency Risk

Currency risk is the risk that the fair value of 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 and payables that exist due to transactions in foreign currencies. The Company has no receivable / (payable) balance in foreign currency.

ii) Other Price Risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in marker prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity and commodity price risk.

iii) Interest Rate Risk

This represents the risk that the 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 assets. The Company's interest rate risk arises from long term financing, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

Note 37 - Financial Risk Management ... Contd.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2018	2017
	Rupees	Rupees
Floating rate instruments		
Financial Liabilities		
Short term borrowings	352,694,910	352,694,910

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have Increased / (decreased) equity and profit or loss by Rs. 3.526 million (2017: Rs. 3.526). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is prepared assuming that amounts of assets and liabilities outstanding as at the reporting date have been outstanding for the entire year.

b) Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:-

	2018	2017
	Rupees	Rupees
Long term loans	5,065,431	4,897,425
Long term deposits	8,304,191	8,297,191
Trade debts	16,373,677	11,561,255
Loans and advances	21,769,816	24,683,001
Trade deposits, prepayments and other receivables	501,772	436,716
Cash and bank balances	1,003,878	552,047

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks where the Company maintains its bank balances are as follows:-

Name of Bank	Rating Agency	Credit Rating	
		Short-term	Long-term
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A-1+	AA+
Bank of Punjab	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA

c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs.350 million worth short term borrowing limits available from financial institutions and Rs. 1.004 million (2017: Rs 0.522 million) cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Note 37 - Financial Risk Management ... Contd.

Contractual maturities of financial liabilities as at June 30, 2018					
	Carryin Amount Rupees	Contractual cash flows Rupees	Less than 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Trade and other payables	432,232,519	432,232,519	432,232,519	-	-
Accrued mark- up	64,456,647	64,456,647	64,456,647	-	-
Short term finances	352,694,910	352,694,910	352,694,910	-	-
Contractual maturities of financial liabilities as at June 30, 2017					
	Carryin Amount Rupees	Contractual cash flows Rupees	Less than 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Trade and other payables	427,516,622	427,516,622	427,021,472	-	-
Accrued interest	30,800,883	30,800,883	30,800,883	-	-
Short term finances	352,694,910	392,584,704	392,584,704	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest mark up have been disclosed in Note 10.1 to these financial statements.

Note 38

Fair value Measurements

38.1 Financial Instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at June 30, 2018 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values.

The Company classifies the financial instruments measured in the statement of financial position at fair value in accordance with the following fair value measurement hierarchy:

Level 1	Quoted market prices
Level 2	Valuation techniques (market observable)
Level 3	Valuation techniques (non market observable)

Financial assets as at June 30, 2018

	Cash and Cash Equivalents	Loans and Receivables	Available-for- sale	Total
-----Rupees-----				
Long term loans	-	5,065,431	-	5,065,431
Long term deposits	-	8,304,191	-	8,304,191
Trade debts	-	16,373,677	-	16,373,677
Bank balances	1,003,878	-	-	1,003,878

Note 38 - Fair Value Measurements ... Contd.

Financial assets as at June 30, 2017

	Cash and Cash Equivalents	Loans and Receivables	Available-for- Sale	Total
-----Rupees-----				
Long term loans	-	4,897,425	-	4,897,425
Long term deposits	-	8,297,191	-	8,297,191
Trade debts	-	11,561,255	-	11,561,255
Bank balances	552,047	-	-	552,047

Financial liabilities at amortized cost

	2018 Rupees	2017 Rupees
Trade and other payables	432,232,519	427,516,622
Accrued mark up	64,456,647	30,800,883
Short term borrowings	390,593,909	366,317,451

Note 39

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level, and regulate its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

As on the balance sheet date, the gearing ratio of the Company was as under:

	2018 Rupees	2017 Rupees
Total borrowings	802,950,910	816,573,451
Cash and bank balances	(1,003,878)	(552,047)
Net Debt	<u>801,947,032</u>	<u>816,021,404</u>
Equity	101,404,808	50,884,939
Total capital employed	<u>903,351,840</u>	<u>866,906,343</u>
Gearing Ratio	88.77%	94.13%

Note 40

Plant Capacity and Production

	2018 Rupees	2017 Rupees
Number of spindles installed	33,468	33,468
Installed capacity in 20's count (Kgs) - approximately	11,168,743	11,168,743
Actual production after conversion into 20's count (Kgs)	<u>757,545</u>	<u>4,528,886</u>

It is difficult to describe precisely the under utilization of production capacity in spinning since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, etc. It also varies according to the pattern of production adopted in particular year.

Note 41
Number of Employees

	Note	2018 Rupees	2017 Rupees
Number of employees as at June 30,	41.1	305	834
Average no. of employees during the year		570	850
41.1 Includes factory employees as at June 30,		301	826

Note 42
Recoverable Amounts and Impairment

As at the reporting date, subject to appropriateness of going concern assumption, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

Note 43
Authorization of Financial Statements

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

Note 44
Corresponding Figures

Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison. Following re-arrangements / reclassifications have been made in these financial statements for better presentation:

Nature	From	To	Amount (Rupees)
Unclaimed dividends	Trade and other payables	Face of the Statement of Financial Position	384,347


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER