ANNUAL REPORT 2018

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COMPANY INFORMATION

CHAIRMAN	Mr. Aurangzeb Khan
CHIEF EXECUTIVE	Mr. Adam Jadoon
DIRECTORS	Mr. Nasir Khan Mr. Adam Jadoon Mr. Amanullah Khan Mr. Omar Farid Jadoon Mr. Muhammad Bahauddin Mrs. Aamna Jadoon Mr. Aurangzeb Khan
AUDIT COMMITTEE	
CHAIRMAN	Mr. Nasir Khan
MEMBER	Mr. Aurangzeb Khan
MEMEBER	Mrs. Aamna Jadoon
HR COMMITTEE	
CHAIRMAN	Mr. Amanullah Khan
MEMBER	Mr. Nasir Khan
MEMBER	Mrs. Aamna Jadoon
SECRETARY	Mr. Sadaqat Khan
C.F.O	Mr. Taj Muhammad
AUDITORS	Tanwir Arif and Company Chartered Accountants
SHARE REGISTRAR	F.D. Registrar Services (SMC-Pvt) Ltd
REGISTERED OFFICE & HEAD OFFICE	Khyber Textile Mills Ltd. Baldher, District Haripur, Khyber Pakhtunkhawa
MILLS	Baldher, District Haripur, Khyber Pakhunkhawa

Website address:- **www.khybertextile.com**

VISION STATEMENT

To remain an important contributor in the home market and to serve the needs of our valued customers by catering to the requirements of general public at large, with dedication.

MISSION STATEMENT

The Mills is situated in a remote area of Khyber Pakhtunkhwa; despite odds it still has the following two missions:

Number one: to contribute to the economy of the country by producing quality products, thereby making a humble contribution to the exchequer.

Number two: to provide employment to the residents of the surrounding areas and to:

- Take care of their health and safety problems
- Train them in their professional field to improve their efficiency through education, training and development.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Organization of Khyber Textile Mills will be guided by the following principles in all activities for achievement of the Organizational objectives.

- Elimination of improper payments or use of the Company's Assets.
- Oversee that the affairs of the Company are being carried out prudently within the framework of existing laws, regulations, and business ethics.
- Accuracy of the books, record of the Company and its safe custody.
- Timely payment of amounts due to customers, employees, agents and suppliers.
- A drive to ensure that KTML succeeds as a business.
- To strive for a healthy & safe environment.
- Respect of employees, suppliers, agents, customers and shareholders.

The dealing of Khyber Textile Mills with all elements especially with the Government and Financial Institutions are based on honesty. In maintaining accounting and financing policies and procedures KTML is guided by corporate regulations, Companies Act 2017 and Code of Corporate Governance.

KEY OPERATING AND FINANCIAL DATA

(Rupees in '000)

OPERATING:	2018	2017	2016	2015	2014	2013
Net Sales	1,750	0	0	0	0	0
Gross (Loss) Profit	(1,034)	0	0	0	0	0
Operating Profit/(Loss)	(7,848)	(9,315)	(1,169)	(1,250)	(1,342)	(1,587)
Pre Tax Profit/(Loss)	8,942	(9,265)	(1,169)	(1,250)	(1,342)	(1,587)
After Tax Profit/(Loss)	10,707	(6,138)	3,496	3,900	(2,790)	(1,587)
Tangible Fixed Assets	428,152	438,544	448,558	460,716	473,953	488,376
Long Term Deposit	89	89	89	89	89	89
	428,063	**438,633**	**448,647**	**460,805**	**474,042**	**488,465**
Current Assets	5,688	3,345	3,372	3,322	3,318	3,313
Current Liabilities	(26,089)	(41,468)	(40,655)	(40,623)	(40,582)	(40,547)
Working Capital	**(20,401)**	**(38,123)**	**(37,283)**	**(37,301)**	**(37,264)**	**(37,234)**
Share Capital	12,275	12,275	12,275	12,275	12,275	12,275
Accumulated Losses	(15,472)	(34,957)	(38,519)	(42,103)	(57,035)	(55,386)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 57th Annual General Meeting of the Shareholders of KHYBER TEXTILE MILLS LIMITED will be held on Monday, the 29th October, 2018 at Registered Office of the Company, Baldher, District Haripur, Khyber Pakhtoonkhawah at 12:30pm to transact the following business.

1. To confirm the minutes of the 56th Annual General Meeting of the Shareholders held on 31st October, 2017
2. To receive, consider, and adopt the Annual Audited Accounts of the Company for the year ended 30th June, 2018 together with Directors and Auditors Reports thereon..
3. To appoint auditors of the Company for the year 2018-2019 and to fix their remuneration. The Board of Directors has recommended M/s Tanwir Arif & Co, Chartered Accountants who consented to act as Auditors of the Company for the year 2018-2019.
4. To discuss continued stoppage of production, ongoing banking litigation, the credit restrictions faced by the Company, possible rehabilitation & revival of the textile unit and the current business climate for the industry.
5. To invite and discuss new initiatives and proposals regarding the utilization of available resources for generation of legitimate income for the Company e.g. usage of excess areas of the Mill's land & buildings for agriculture use, livestock rearing and rental of empty warehouses for storage etc.
6. To discuss the progress of the alternative business activities occurring on the Mill's excess land and empty buildings; specifically the creation of a livestock farm, the cultivation of land, the purchase & sale of livestock and the rental of warehouses for storage purposes.
7. To discuss and approve any alterations, changes or amendments that are required in the Company's name, Articles and Memorandum of Association in light of the additional business taking place.
8. To invite and discuss exploring of Joint Venture Business opportunities with investors in view of the opening of the CPEC.
9. To transact any other business of the Company with the permission of the Chair. Baldher: 3rd October, 2018 BY ORDER OF THE BOARD

For Khyber Textile Mills Limited

Sadaqat Khan

Sadaqat Khan
Company Secretary

NOTES:

1. The Share transfer books of the Company will remain closed from 20th October, 2018 to 29th October, 2018 (both days inclusive)
2. A member entitled to attend and vote at the Meeting may appoint another member as his / her proxy to attend and vote. In order to be effective proxies must be delivered at the Company's registered Office Baldher, District Haripur at least 48 hours before the time of Meeting and must be stamped, signed and witnessed.
3. Shareholders are required to promptly notify the Company any change in their address.

CHAIRMAN'S REVIEW

(In the Name of Allah the Magnificent the Merciful)

I welcome you with great pleasure to the 57th Annual General Meeting of your Company for the year ended 30th June, 2018.

Operating Results:

	2018	**2017**	**2016**	**2015**	**2014**	**2013**
	----------Rupees in "000"----------					
Sales	1,750	0	0	0	0	0
Operating Profit/ (Loss)	(8,942)	(9,265)	(1,169)	(1,250)	(1,342)	(1,587)
Profit / (Loss) after tax	10,707	(6,138)	3,490	3,900	(2,790)	(1,587)
Accumulated Loss	(15,472)	(34,957)	(38,519)	(42,103)	(57,035)	(55,386)

During the period under review, the Mill's textile production remained closed due to non-availability of credit facilities. However there was significant revenue generation through alternative business activities, specifically rental income and the sale of livestock.

ACKNOWLEDGEMENT:

I thank the management and staff for their hard work and devotion for the betterment of the Company.

Baldher, Haripur
Dated: - 3rd October 2018

Mr. Aurangzeb Khan
Chairman

DIRECTORS REPORT TO THE SHAREHOLDERS

Dear Members,

The Board of Directors welcomes you to the 57th Annual General Meeting of your Company and are pleased to present the Annual Accounts duly audited together with Auditors' Report along with other relevant statements as required by the Code of Corporate Governance of Pakistan Stock Exchange for the year ended 30th June, 2018.

Financial Results:

During the period under review, the Mill's production remained closed, however there was significant revenue generation through additional business activities, specifically rental income and the sale of livestock.

	2018	2017
Sales	1,750,000	-
Cost of sales	2,783,871	-
Gross Loss	**(1,033,871)**	**-**
Administrative expenses	13,111,266	13,237,814
	(14,145,137)	(13,237,814)
Other Operating Income - Rent	6,296,930	3,922,898
Operating loss	**(7,848,207)**	**(9,314,916)**
Other income	17,119,579	293,842
	9,271,372	(9,021,074)
Finance Cost - Bank charges	1,382	4,085
Other operating expenses	328,000	239,700
	329,382	243,785
Profit /(Loss) before taxation	8,941,990	(9,264,859)
Taxation		
Current	1,511,263	972,879
Prior	543,900	118,784
Deferred	(3,819,940)	(4,218,202)
	(1,764,777)	(3,126,539)
Profit /(Loss) after taxation	**10,706,767**	**(6,138,320)**
Profit /(Loss) per share	**8.92**	**(4.63)**

Auditor's Reservation:

Regarding the auditors' observation view about the Company's ability to continue as going concern the same is fully explained in Note #8 & #15 of these Accounts.

Concerning auditor qualification for creditors that remain un-verified it is stated that the creditors are more than 16 years old and none of the creditors are demanding their dues nor are in contact with the Company. The management therefore has begun the process of writing back the balances.

Statement of Corporate and Financial Reporting Framework:

The Board of Directors further state that:

1. The financial statements under review have been prepared in accordance with the provision of the Companies Act 2017 and the International Accounting Standards as applicable in Pakistan.
2. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
3. Proper books of account have been maintained by the Company accordingly the financial statements present fairly the Company’s state of affairs, the result of its operations, cash flows and changes in equity.
4. The system of internal control of the Company is satisfactory in design and has been effectively implemented and continues to be monitored for improvement.
5. As a result of overall effort being made to control cost and maximize revenue, there are no significant doubts about the Company’s ability to continue as a going concern and therefore no adjustment is required in the recorded assets and liabilities.
6. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations and as applicable to the company for the year ended 30th June, 2018.
7. The key operating and financial results for the last six years, in a summarized form, are annexed.
8. The Audit Committee assists the Board in discharging its duties and responsibilities ensuring good compliance with Code of Corporate Governance including review of reports, company’s financial results and internal control procedures for management decisions and evolving strategy for safeguarding Company’s assets and its business potentials.
9. The Audit Committee meets before Board Meetings and its report is presented in the Board Meeting.
10. The Board is in the process of establishing a Planning and Strategic committee to recommend and advise the Board from time to time the matters of long term planning, evolving business improvement strategies, corporate affairs, budgetary controls, management reporting and monitoring.
11. The pattern of shareholding as required by the Code of Corporate Governance and shares held/traded by the Chief Executive, CFO, Company Secretary, Directors, Executives of the Company and their spouses and minor children is annexed with this report.
12. During the period under report 4 (four) meetings of the Board of Directors were held.

Attendance of each Director is as under:

	Name of Directors	No. of Meetings Attended
1	Mr. Adam Jadoon	4
2	Mr. Aurangzeb Khan	4
3	Mr. Nasir Khan	3
4	Mr. Amanullah Khan	3
5	Mr. M. Bahauddin	3
6	Mr. Omar Farid Jadoon	2
7	Mrs. Aamna Jadoon	3

13. Communications with the shareholders are given priority. Annual, half yearly and quarterly reports are distributed and displayed on KTML website www.khybertextile.com within the time specified in the Company's Act 2017.

14. As required by the Code of Corporate Governance, the Audit Committee has suggested the name of M/s Tanwir Arif & Co. Chartered Accountants as auditors, of the Company for the financial year 2018-2019, who have consented to act as auditors of the Company.

15. **Law Suits Against the Company:**

NBP vs. KTML:

We are pleased to inform you that the Banking Judge of Peshawar High Court has dismissed NBP's case and has decided it in favor of KTML on 17-03-2014. As per the Honorable Judges ruling the court determined that KTML had indeed paid all outstanding dues to NBP and no further amounts are outstanding. However, the Bank has filed an appeal against the High Court judgment and arguments are currently pending before the Hon'ble Peshawar High Court. KTML's management and legal department will continue to defend NBP's appeal vigorously and are hopeful that it will be dismissed.

ICP, NBP others vs. KTML:

A Suit for recovery was filed by ICP & NBP in the Sindh High Court Karachi. The Sindh High Court has allowed KTML's Leave to Defend Application on provision of the information that NBP had already instituted a previous suit in Peshawar for the same amount. KTML's Management and legal department are optimistic that a judgment on these issues in KTML's favor has already been decided by the Honorable Peshawar High Court, which will hopefully lead to the dismissal of ICP & NBP's suit in the Sindh High Court.

16. Additional Business Activity & Usage of Excess Area:

With the BODs approval Management approached a financial institution in FY2018 and applied for a loan to initiate Balancing, Modernization and Replacement (BMR) for our textile unit. However, a negative response from the financial institution was received in which they have declined to open a letter of credit for BMR due to KTML's name appearing on the Credit Information Bureau List as a defaulter by National Bank of Pakistan. Therefore, due to the on going court cases by NBP, KTML is facing a complete restriction on access to credit by the banks. As a result of NBP's discriminatory methods, KTML has been unable to initiate BMR and restart textile production.

Nonetheless, our Company has begun to take steps to secure other sources of legitimate revenue within our limited resources as a stopgap measure to maintain the Company, its assets, and create business activity on the Mill's premises. As per the contents of KTML's Memorandum of Association, the Board of Directors is authorized *to carry on any other business to enhance the value of the Company' s property or rights; to improve, manage and develop any part of the property and rights of the Company.* During FY2016 the BOD authorized the Management to explore all avenues of legitimate revenue generation by utilizing the excess area of the Mill's land and empty buildings for activities such as dairy farming, agricultural use, rearing of livestock, conversion of warehouses as storage units for rental purposes etc.

The BOD is pleased to inform the shareholders that in Financial Year 2018 despite complete credit restrictions, KTML has managed to stimulate other sources of legitimate revenue streams during the financial year and has significantly increased its income through additional business. KTML's Management has negotiated the continued use and rental of its excess buildings as a storage facility for packaged food, bottle water and milk items with reputable organizations and rented out further empty units to other local distributors.

With this new stream of funding KTML has embarked upon investing in an alternative business, separate from and not affecting our textile unit, by utilizing the Company's excess land for the creation of an animal rearing livestock farm for the sale of cattle. During FY 2017 and 2018 the Company made a substantial investment in the livestock farm, which includes the construction of sheds that can house up to 150 cattle, the purchase of cattle, the complete up gradation of the Mills water piping system, water storage, tube well and irrigation systems throughout the Company's premises. In addition, in FY 2018 Management has been successful in making sales of livestock throughout the year and catering to the needs of the public during Eid ul Adha

Through these successful sales of livestock and warehouse rentals, Management has proved that the alternative business plan for the Company is viable, as the total revenue of the Company has doubled in FY2018. Furthermore, KTML is once again an active taxpayer and has contributed Rs.1.5 Million in advance tax to the national exchequer in the financial year.

In further developments, Management identified over 10 acres of unutilized KTML land, which was leveled and improved for cultivation of fodder in FY 2018. After the improvement and transformation of the land cultivation was initiated. In order to transform the land and improve the yield, farm manure was treated and added to the soil thereby increasing the quality of cultivation. Our own fodder was harvested and consumed by the Company's livestock, which enabled a reduction in the purchasing of fodder from the market.

In addition, Management with the assistance of the KP Agricultural Research Development department has planted high yield olive saplings throughout the excess land for the long-term plan of harvesting olive products for sale. During FY 2018 over 100 saplings were planted and the intention is to plant further trees during FY 2019.

The installation of renewable energy system for pumping of tubewell water was delayed when Management found that the equipment proposed by the original vendor was insufficient. Specifically, the number of solar panels was far less than the requirement and the motor was underpowered. Management has contacted a few other vendors to identify the equipment specifications to avoid installation of inappropriate equipment, which would result in wastage of resources and loss. It is expected that installation will be completed and running in the coming financial year.

It is Management's intention to continue the policy of repairing the empty warehouses located within the Mill for use of storage, thereby utilizing all the excess buildings for the generation of additional revenue for the Company. Furthermore, Management intends to expand the size of the livestock farm thereby increasing the sale of cattle for FY-2019. The income derived from this additional business activity will be used for the maintenance of the Mill's assets, salaries of employees, meeting the Company's day-to-day requirements under the Companies Act 2017, the Companies legal expenses, to expand KTML's livestock and invest in new business activities if found feasible. In addition, Management and BOD expect that due to our Company's location near the under construction E-35 Motorway, access to the CPEC will open up new opportunities for further business activity.

In the Annual General Meeting of 2018 KTML Management will discuss with the Directors and Shareholders any alterations, changes or amendments that may be required in the Company's name, Articles or Memorandum of Association in light of the additional business-taking place.

Management and the BOD are pleased to have doubled the revenue of the Company through alternative business activity during this financial year and hope to increase the income of the Company in the coming financial year of 2019

However, it is Management's intention to maintain the Textile Unit, which is separate from our agricultural and rental business. It remains our goal to revive the unit after the Banking litigation has ended and credit facilities have been restored as per the revival plan approved by the BOD.

On behalf of the Boards of Directors

Baldher, Haripur **Adam Jadoon**
Dated:- 3rd October, 2018 **Chief Executive**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company: KHYBER TEXTILE MILLS LIMITED Year ending 30th, June, 2018

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. This statement is presented in the format mentioned under the code 2012 as contained in Rule Book.
The company has applied the principles contained in the CCG in the following manner:

1. The company's representation includes independent, executive & non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	1:- Mr.Nasir Khan
Executive Directors	1:- Mr. Adam Jadoon 2:- Mr. Muhammad Bahauddin
Non-Executive Directors	1:- Mr. Aurangzeb Khan 2:-Mr. Amanullah Khan 3:- Mr. Omer Farid Jadoon 4:- Mrs. Aamna Jadoon

The independent Director meet the criteria of independence under clause i (b) of the CCG.

2 The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose which met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Four members of the Board have carried out the Directors' Training Program including the independent Director, while two Directors are exempted from the Training Program due to their experience on the BOD. The remaining Director will complete the Training Program in the near future.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.
13. All transactions with related parties are placed before the Audit Committee on a quarterly basis and are approved by the Board along with the methods for pricing.
14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the CCG.
16. The Board has formed an Audit Committee. It comprises three (3) members; of whom two (2) are non-executive directors and the chairman of the committee is an independent Director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has formed an HR and Remuneration Committee.
19. The Board in FY 2018 has set up an effective internal audit function.
20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
24. We confirm that all material principles enshrined in the CCG have been complied with.

ADAM JADOON
CHIEF EXECUTIVE OFFICER

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **M/S. KHYBER TEXTILE MILLS LIMITED** ('the Company') for the year ended June 30, 2018 to comply with the requirements of Rule 5.19 of the Rule Book of Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of related party transactions by the board of directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2018.

TANWIR ARIF & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner - Tanwir Arif

HYDERABAD
DATED: 3rd October 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **KHYBER 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 statement of 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 explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

Except for paragraph 1 below, in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, comprehensive income and the changes in equity and its cash flows for the year then ended:

1. We have not received confirmations for balance appearing in trade creditors under note no. 13 to the accounts. Hence, their balances remained unverified in spite of reminders. Further, during the year an amount of Rs. 15.953 million is written back by the management, if the same was not incorporated, Company would have incurred loss of Rs. 5.246 million instead of profit of Rs. 10.707 million.

Basis of qualified opinion

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

Material Uncertainty relating to Going Concern

We draw attention to Note 8 in the financial statements, which indicates that the operations of the Company are closed since 2007, the accumulated losses amounting to Rs. 15.472 million and the Company's current liabilities exceeded its total assets by Rs. 20.4 million. As stated in Note 8, these events or conditions, along with other matters as set forth in Note 8, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report:

i)	**New Requirements under the Companies Act, 2017:** *(Refer note 4 to the financial statements)*	**How the matter is addressed in our audit**
	The provisions of the Companies Act, 2017 (Act) became applicable and the company has made disclosures including accounting policies for the first time as per fourth schedule of the Act. The additional disclosures required by the Act are incorporated by the management in preparing the annexed financial statements for the year first time. We, therefore, considered it as a key audit matter.	The fourth schedule to the Companies Act, 2017 was reviewed with reference to the additional disclosure requirements. Our audit procedures included the following: • Obtained underlying supports, verified on test basis and assessed appropriateness for sufficient audit evidence relevant to additional disclosures.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the financial statements of the company and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude, that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of 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 Statements

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 as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements 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) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) 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 flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Tanwir Arif.

CHARTERED ACCOUNTANTS

HYDERABAD

DATED: 3rd October 2018

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

CAPITAL AND LIABILITIES	Note	2018	2017 Restated	2016 Restated
			(Rupees)	
SHARE CAPITAL & RESERVE				
SHARE CAPITAL				
Authorised:				
1,500,000 Ordinary Share of Rs. 10/- each		**15,000,000**	**15,000,000**	**15,000,000**
Issued:				
1,298,543 Ordinary Share of Rs. 10/- each		**12,985,430**	**12,985,430**	**12,985,430**
Subscribed & paid-up	9	12,275,030	12,275,030	12,275,030
RESERVE				
Capital - Statutory Reserve U/s 15-BB		257,782	257,782	257,782
Unappropriated Loss		(15,472,199)	(34,957,302)	(38,518,895)
Surplus on revaluation of fixed assets	10	346,856,455	355,391,435	364,637,348
Shareholders' Equity		**343,917,068**	**332,966,945**	**338,651,265**
NON CURRENT LIABILITIES				
Deferred Tax Liability	11	35,222,909	39,042,849	43,261,051
Long Term Loan from Directors	12	28,700,475	28,500,475	26,450,475
CURRENT LIABILITIES				
Trade & Other Payables	13	24,577,484	40,494,772	40,655,814
Provision for taxation	14	1,511,263	972,879	-
		26,088,747	**41,467,651**	**40,655,814**
CONTINGENCIES & COMMITMENTS	15	-	-	-
		433,929,199	**441,977,920**	**449,018,605**

PROPERTY & ASSETS	Note	2018	2017 Restated	2016 Restated
			(Rupees)	
NON CURRENT ASSETS				
Property, Plant and Equipment	16	428,151,828	438,544,098	448,557,866
Long term deposits		88,983	88,983	88,983
		428,240,811	**438,633,081**	**448,646,849**
CURRENT ASSETS				
Livestock	17	3,822,500	2,168,908	-
Animal food		185,120	40,040	-
Stores & Spares	18	-	-	-
Taxes Refundable	19	1,487,984	860,247	266,327
Cash and Bank Balances	20	192,784	275,644	105,429
		5,688,388	**3,344,839**	**371,756**
		433,929,199	**441,977,920**	**449,018,605**

Notes:

1. Auditors' report is attached.
2. The annexed notes from 1 to 39 form an integral part of these financial statements.

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

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees)	
Sales	21	1,750,000	-
Cost of sales	22	2,783,871	-
Gross Loss		**(1,033,871)**	**-**
Administrative expenses	23	13,111,266	13,237,814
		(14,145,137)	(13,237,814)
Other Operating Income - Rent		6,296,930	3,922,898
Operating loss		**(7,848,207)**	**(9,314,916)**
Other income	24	17,119,579	293,842
		9,271,372	(9,021,074)
Finance Cost - Bank charges		1,382	4,085
Other operating expenses	25	328,000	239,700
		329,382	243,785
Profit /(Loss) before taxation		8,941,990	(9,264,859)
Taxation			
Current	26	1,511,263	972,879
Prior	26	543,900	118,784
Deferred		(3,819,940)	(4,218,202)
		(1,764,777)	(3,126,539)
Profit /(Loss) after taxation		**10,706,767**	**(6,138,320)**
Profit /(Loss) per share	27	**8.92**	**(4.63)**

The annexed notes from 1 to 39 form an integral part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees)	
Net Profit/ (loss) after taxation	**10,706,767**	**(6,138,320)**
Other comprehensive income /(loss):		
Items that will not be reclassified to statement of profit or loss:		
Income from agriculture	243,356	454,000
Items that may be subsequently reclassified to profit or loss:	-	-
Other comprehensive income for the year	243,356	454,000
Total comprehensive income /(loss) for the year	**10,950,123**	**(5,684,320)**

NOTE: The annexed notes form an integral part of these accounts.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit /(Loss) before tax	8,941,990	(9,264,859)
Adjustment of Non Fund Items:		
Depreciation	10,392,270	11,195,605
Provision for bad and doubtful	-	266,327
Gain arising from changes in fair value of biological assets	(1,166,699)	-
Provision for diminution in value of stores and spares	-	-
Liabilities written back	(15,952,880)	(293,842)
	(6,727,309)	11,168,090
	2,214,681	1,903,231
(Increase)/Decrease in Current Assets		
Livestock	(486,893)	(2,168,908)
Animal food	(145,080)	(40,040)
Increase/(Decrease) in Current Liabilities		
Trade & Other Payables	35,592	132,800
	(596,381)	(2,076,148)
Effect on Cash Flow due to changes in working capital	1,618,300	(172,917)
Sundry Income Received	243,356	454,000
Income Tax Paid	(2,144,516)	(979,031)
	(1,901,160)	(525,031)
Net cash from operating activities	**(282,860)**	**(697,948)**
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Capital Expenditure	**-**	**(1,181,837)**
CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Loans - Directors - net	**200,000**	**2,050,000**
Net (Decrease)/ Increase in Cash and Cash Equivalents	(82,860)	170,215
Cash and Cash Equivalents at the beginning of the year	275,644	105,429
Cash and Cash Equivalents as the end of the year	**192,784**	**275,644**

NOTE: The annexed notes form an integral part of these accounts.

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Share Capital	Reserves	Unappropriated Profit & Loss	Revaluation surplus on fixed assets	Total
			(Rupees)		
Balance as on June 30, 2016	**12,275,030**	**257,782**	**(38,518,895)**	**-**	**(25,986,083)**
Impact of restatement - note no. 6	-	-	-	364,637,348	364,637,348
Balance as at June 30, 2016- as restated	**12,275,030**	**257,782**	**(38,518,895)**	**364,637,348**	**338,651,265**
Loss for the year 2016 - 2017	-	-	(6,138,320)	-	(6,138,320)
Other Comprehensive income	-	-	454,000	-	454,000
Total Comprehensive Loss for the year	-	-	**(5,684,320)**	-	**(5,684,320)**
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	9,245,913	(9,245,913)	-
Balance as on June 30, 2017	**12,275,030**	**257,782**	**(34,957,302)**	**355,391,435**	**332,966,945**
Profit for the year 2017 - 2018	-	-	10,706,767	-	10,706,767
Other Comprehensive income			243,356	-	243,356
Total Comprehensive Income for the year	-	-	**10,950,123**	-	**10,950,123**
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	8,534,980	(8,534,980)	-
Balance as on June 30, 2018	**12,275,030**	**257,782**	**(15,472,199)**	**346,856,455**	**343,917,068**

NOTE: The annexed notes form an integral part of these accounts.

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

NOTES TO THE ACCOUTNS
FOR THE YEAR ENDED JUNE 30, 2018

1. STATUS AND NATURE OF BUSINESS:-

Khyber Textile Mills Limited is a Public Limited Company, incorporated on 26th August, 1961 under the Companies Act, 1913 (Now the Companies Act, 2017). Its shares are quoted on the Pakistan Stock Exchange Limited. The principal activities of the Company are to manufacture and sale of cotton/polyester yarn and cloth

The Company has initiated alternative additional business activities of renting excess building from 2016 and during the year livestock farming business has also started.

The registered office of the company is situated at Baldher, District Haripur, Khyber Pakhtunkhawa.

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

All significant transactions and events that have affected the Company’s statement of financial position and performance during the year have been adequately disclosed in the notes to these financial statements. For a detailed discussion about these significant transactions and events please refer to the Directors’ report.

3. **STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), 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 Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

4. NEW AND REVISED STANDARDS AND INTERPETATIONS

1. STATUS AND NATURE OF BUSINESS:-

Khyber Textile Mills Limited is a Public Limited Company, incorporated on 26th August, 1961 under the Companies Act, 1913 (Now the Companies Act, 2017). Its shares are quoted on the Pakistan Stock Exchange Limited. The principal activities of the Company are to manufacture and sale of cotton/polyester yarn and cloth

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4. **NEW AND REVISED STANDARDS AND INTERPRETATIONS**

4.1. The fourth schedule to the Companies Act, 2017 (the Act) became applicable to the Company for the first time for the preparation of these financial statements. The Act (including its fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst other, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

The Act has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes include change in nomenclature of primary financial statements. Further, the disclosure requirements contained in the Fourth schedule to the Act have been revised, resulting in the

- elimination of duplicative disclosures with the IFRS disclosure requirements;
- incorporation of significant additional disclosures; and
- Specific additional disclosures and changes to the existing disclosures, these changes are incorporated in notes 2, 16.2 and 26.3.

4.2. New and amended standards and interpretations that are effective in the current year and are not relevant:

New standards, amendments and interpretations that are mandatory for accounting periods beginning on July 1, 2017 are considered not to be relevant for the Company's financial statements and hence have not been detailed in these financial statements.

Standards, Amendments to Approved Accounting Standards and Interpretations that are published and has been considered but not yet effective.

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

Standard or interpretation

IFRS 1. First-time Adoption of International Financial Reporting Standards
IFRS14. Regulatory Deferral Accounts
IFRS 17.Insurance Contracts

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of measurement.
These financial statements have been prepared under the "historical cost" convention except as otherwise disclosed in the accounting policies below

The preparation of financial statements in conformity with the applicable accounting standards 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. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 7.

5.2 Functional and Presentation Currency
These financial statements are presented in Pakistan Rupees, which is the functional currency of the Company. All the financial information contained in these financial statements has been rounded-off to the nearest rupee.

5.3 Property, Plant and Equipment
These are stated at cost less depreciation. Depreciation is charged on pro- rata basis under reducing balance method at the rates mentioned in note no. 16.

Freehold land, building & civil works and plant & machinery are measured at revalued amounts, which is the fair value at the date of revaluation less accumulated depreciation and accumulated impairment losses, if any, recognized subsequent to the date of revaluation

Revaluation is carried out so that the fair value and carrying value do not differ materially at the balance sheet date. Any revaluation increase arising on the revaluation of such assets is credited to "Surplus on Revaluation of Fixed Assets". A decrease in the carrying amount arising on revaluation is charged to the statement of comprehensive income to extent that it exceeds the balance, if any, held in the surplus on revaluation of fixed assets to a previous revaluation of that assets. The surplus on revaluation- net of deferred tax to the extent of incremental depreciation charged on the related revalued assets is transferred to unappropriated profit.

In case of additions to fixed assets depreciation is charged from the month addition is made and in case of disposal of items of fixed assets up to the month the asset has been in use of the Company.

The assets residual values and useful lives are reviewed and adjusted if appropriate at each financial year end. The effect of any adjustment in residual value and useful lives is recognized prospectively as a change of accounting estimates.

Repairs and maintenance of major amounts are capitalized, while normal repair and maintenance of assets are charged to the income as and when incurred

Gain or Losses on disposal of assets, if any, are included in the profit or loss account currently

5.4 Biological assets – livestock
Livestock are measured at their fair value. Initially cost incurred in acquisition of biological assets is also added in cost likewise transportation, labor etc along with cost of feed and vaccination

Loss arising, if any, from changes in fair value of livestock is recognized in profit and loss account

5.5 Stores & Spares.
These are stated at lower of cost and net realizable value using moving average cost method except items in transit which are valued at cost accumulated up to the balance sheet date. Cost comprises purchase cost and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less the cost necessarily to be incurred in order to make the sale. The Company reviews the carrying amount of stores on regular basis and provision is made for obsolescence, if any.

5.6 Trade debts / Account receivables.
Trade receivables are recognized and carried at original invoice amount. Bad debts are adjusted against provisions for doubtful debts or written off against the profit of the company during the year in which these are deemed to be irrecoverable. Provision is made for debts which are considered doubtful of recovery.

5.7. Borrowing cost.
Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying assets are capitalized as a part of the cost of that asset. All other borrowing costs are charged to income.

5.8 Trade and Others Payable
Liabilities for trade and others payable are carried at cost which is the fair value of the consideration to be paid in future for goods or services obtained, whether or not billed to the Company.

5.9. Provision
Provision is recognized when the Company has an obligation (legal or constructive) as a result of present or past events and it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.10 Taxation.
Current
The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum taxation on the turnover under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

The charge for current tax also includes adjustments, wherever considered necessary, to the provision for tax made in the previous years as a result of adjustments in assessments framed during the year for such years.

Deferred
Deferred tax is provided using the liability method for all temporary difference at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial statements reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. Accordingly the effect on deferred taxation relating to the portion of income falling under final tax regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan.

5.11 Revenue Recognition
Sales are recognized on dispatch of goods to customers.

5.12 Financial Instruments
Financial assets and financial liabilities are recognized at the time when the Company becomes party to contractual provisions of an instrument. All financial assets and liabilities are initially recognized at cost which is the fair value of the consideration given and received respectively. Financial assets are subsequently measured by de-recognizing when the contractual rights are realized or surrendered whereas financial liabilities are measured when the obligations are discharged or cancelled.

The gain or loss, if any, arising on the recognition and de-recognition of the financial instruments is included in the net profit or loss for the year in which it arises.

5.13. Impairment.
The carrying amounts of the Company’s assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in statement of comprehensive income.

5.14 Related Party Transactions and Transfer Pricing
Transactions between the company and related parties are made at arm’s length prices determined in accordance with the comparable uncontrolled price method which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to seller. In case when comparable prices from the market are not available, approval of the Board is obtained.

5.15. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and net amount is reported in the balance sheet only if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

5.16. Cash and Cash Equivalents.

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and current and deposit accounts with the commercial banks.

6. CHANGE IN ACCOUNTING POLICY

Section 235 of the Repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets. The specific provision/section in the Repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. In view of foregoing and the contents of note 3 & note 4.1 the accounting and presentation of revaluation surplus is required to be made in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment.

The applicability of requirements of IAS 16 accordingly results in the change in accounting policy of revaluation of surplus in following manner:

- present surplus on revaluation of fixed assets under equity;
- offset the deficit arising from revaluation of the particular asset; and
- transfer the realized surplus directly to the retained earnings/unappropriated profit.

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 the corresponding figures have been restated. The effect of retrospective application in case of the Company has resulted in reclassification of surplus on revaluation of fixed assets to reserves. There is no other impact of the retrospective application on the amounts of surplus presented in prior years.

The effect of change in accounting policy is summarized below.

	As at June 30, 2017			As at June 30, 2016		
	As-previously reported	As-restated	Re-statement	As-previously reported	As-restated	Re-statement
	---------------------------- AMOUNT IN RUPEES ----------------------------					
Effect on statement of financial position						
Surplus on revaluation of fixed assets	355,391,435	-	(355,391,435)	364,637,348	-	(364,637,348)
Share capital & reserves	-	355,391,435	355,391,435	-	364,637,348	364,637,348

	As at June 30, 2017		
	As-previously reported	As-restated	Re-statement
	--------- AMOUNT IN RUPEES ---------		
Effect on statement of profit or loss account/ statement of comprehensive income	-	-	-

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

7,1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Trade debtors

The company reviews its receivable against provision required there against on an ongoing basis. The provision is made taking into consideration expected recoveries, if any.

Income taxes

In making the estimates for income taxes currently payable by the company the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Impairment of assets

In accordance with the accounting policy, the management carries out an annual assessment to ascertain whether any of the company's assets are impaired. This assessment may change due to technological developments.

Biological assets - livestock

The fair value of biological assets (livestock) is determined annually by the management of the Company, which are based on market conditions and physical attributes of livestock existing at the end of each reporting period, which are subject to change at each period end due to market conditions.

Depreciable amount and useful lives of fixed assets

In accordance with the accounting policy, the management carries out an annual assessment of depreciable amount and useful lives of fixed assets.

7.2 Critical judgments in applying the company's accounting policies

During preparation of these financial statements, the significant judgments made by the management in applying the company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the company for the year ended 30 June 2017.

8. Going Concern.

Despite of the uncertainties given here under, that may cast significant doubt about the Company's ability to continue as a going concern, these financial statements have been prepared on going concern basis:

- the textile operations of the Company are closed since July, 2007.

- there are accumulated losses amounting to Rs. 15.472 million and current liabilities of the Company exceed its current assets by Rs. 20.4 million and the financial ratios are adverse.

These accounts have been prepared on going concern basis by the management for the reasons and considerations as discussed below:

As repeatedly identified, other reasons for these unfavorable conditions are the ongoing litigation cases, ban on access to credit, increase in prices of cotton and polyester, constant electrical load shedding, low electrical voltage, increasing power tariff, ban on installation and use of industrial gas meters and generators. Therefore, most employees were laid off and production of yarn was stopped since FY2008 and could not yet be resumed. However, in spite of this, the Board of Directors & the CEO are continuing to maintain staff, whose primary responsibility are maintaining the security of the Company's tangible assets, working towards rehabilitating the textile unit, successfully creating and managing new sources of legitimate revenue generation through alternative business, assisting the legal department with outstanding litigation, and upholding the Company's statutory responsibilities as required under the Companies Act 2017.

In FY 2018 with BOD approval Management applied for a loan to initiate Balancing, Modernization and Replacement (BMR) for the textile unit. However, a negative response from the financial institution was received in which they have declined to open a letter of credit for BMR due to KTML's name being listed on the Credit Information Bureau List as a defaulter by National Bank of Pakistan. It is important to understand that due to the ongoing litigation instituted by the banks (Reference note no. 15), a complete credit restriction has been imposed by these institutions on KTML. The Company cannot open a single letter of credit unless 100% margin is deposited with the banks. It would not be out of place to mention here that due to ongoing litigation by the banks the company cannot dispose-off any of its agricultural land to meet the working capital requirement. Nonetheless, to enable the Company to overcome working capital constraints, efforts continue to be made by Management to convince the State Bank of Pakistan to lift restrictions on KTML so that the financial institutions can once again extend financing to the Company. It may be noted that the plant conditions and most of the capacities are available to convert the facility into a viable unit once again. Possibility of exports being there, there is an opportunity to explore the international market particularly when the European market is ready to extend concessions.

Though there are accumulated losses to the tune of Rs. 15.462 million, the directors have supported the company by way of interest free loan to the company of Rs. 28.7 million that covers majority of the losses. The Directors further ensure to support the Company in the future if needed.

The management of the company has no plan to liquidate its assets other than under normal course of business. The ability of the Company to continue as a going concern currently is based on the followings:

i) Continued financial support from directors;

ii) Revival of the manufacturing activities after outcome of the litigations in favor of the Company;

iii) Start of other alternative profitable business activities with available financial resources, that have lead to a significant increase in income;

iv) There is a need to keep the entity in existence till the final decision of the litigation cases by the banks as disclosed under Contingencies and Commitments note No 15; and

v) The Company has no such assets and liabilities that require adjustments relating to the recoverability of recorded assets amount and reclassification of liabilities.

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Assets Revaluation:

In the financial year 2013, the Management in compliance with the order dated April 29, 2013 issued by the Securities & Exchange Commission of Pakistan carried out a formal assessment of the fair value of the fixed assets of the Company. The fair values were assessed by an independent evaluator based on the most reliable evidence available at the time of valuation in accordance with the requirements of IAS- 36 "Impairment of Assets" and IAS-2 "Inventories". The value of assets appreciated to Rs.473 million as compared to the carrying amount of Rs.26 million, accounted for on a historical cost basis. The exercise of revaluation as repeatedly emphasized by Management has proved the worth of the Company as an economically viable industrial undertaking. It would not be out of place to mention that the 2013 revaluation of KTML assets proves that the Company is able to pay all its liabilities, subject to the continued favorable outcome of the outstanding litigation cases with NBP.

Management is also of the opinion that with the construction of E-35 Motorway, access to the CPEC, will considerably step-up the value of the land of the Company when compared with the revalued amount that was incorporated in the books of the Company in 2013.

Usage of un-utilized land and buildings for alternate Business:

In FY 2016 KTML received a show cause under section 309 read with clause (c) of section 305, in which the SECP conveyed to KTML's Management that due to the closure of the textile production and the lack of business activity on the Mill's premises, action shall be taken under the provisions of the Company's Ordinance, 1984. KTML's Management in response to the show cause notice communicated that due to the ongoing litigation instituted by the banks and a credit restriction imposed by the SBP on KTML, all avenues to access the credit required to undertake BMR in order to restart the textile unit have been blocked. In addition, Management conveyed that there is a need to keep the Company in existence till the final decision of the litigation cases by the banks in order to ensure that the interests of all shareholders both minority and majority do not face an irreparable loss due to the erroneous and fictitious claims by the Banks. Consequently, the SECP expressed in meetings that business activity whether textile or other alternative business activity should commence at KTML in order to avoid a negative outcome in regards to the show cause notice.

Based on these meetings with the SECP, KTML's Board of Directors reviewed the contents of its Memorandum of Association, and noted that the Board of Directors is authorized *to carry on any other business to enhance the value of the Company's property or rights; and to improve, manage and develop any part of the property and rights of the Company*. During FY 2016 the BOD authorized Management to explore all avenues of legitimate revenue generation on excess land such as agricultural use, rearing of livestock and conversion of excess empty warehouses as storage units for rental etc.

Consequently, Management's endeavors were successful and KTML negotiated the renting of empty warehouses as a storage facility to reputable organizations that are distributors of packaged food, milk and bottled water beginning in FY 2016 and expanding rentals throughout FY 2017 & 2018 to other local distributors. Due to Management's efforts KTML has increased its rental income approximately by 60% in FY2018. In addition, KTML has doubled its Advance Income Tax payments to the Federal Board of Revenue in FY 2018, thereby once again becoming an active taxpayer and contributor to the National Exchequer.

During FY 2017 and 2018 the Company has made an investment in a Livestock Farm, which includes the purchase of cattle, the complete up gradation of the Mills water piping system, water storage, Tube well and irrigation systems throughout the Company's premises. Furthermore, Animal Sheds & a Livestock Farm have been constructed on the Company's excess land that is not a part of the Textile Unit. These constructed animal sheds have a housing capacity of up to 150 cattle.

In FY 2018 Management has been successful in making sales of livestock to the local area and catering to the needs of the public throughout the year and specifically during Eid ul Adha. Through these successful sales of livestock and warehouse rentals, Management has proved that the alternative business plan for the Company is viable.

In further developments, Management identified over 10 acres of unutilized KTML land, which was leveled and improved for cultivation of fodder in FY 2018. In order to transform the land and improve the yield, farm manure was treated and added to the soil thereby increasing the quality of cultivation. Fodder was harvested and consumed by the Company's livestock, which enabled a reduction in the purchasing of fodder from the market.

Moreover, Management with the assistance of the KP Agricultural Research Development department has planted high yield olive saplings throughout the excess land for the long-term plan of harvesting olive products for sale. During FY 2018 over 100 saplings were planted and the intention is to plant further trees during FY 2019.

Following these developments the SECP conveyed a final meeting with KTML Management on 18-01-2018 in which Management expressed the position that the majority shareholders are against the liquidation of the Company and also do not see closure of textile operations as a discontinued operation, as proper maintenance of the Company's assets are being carried out periodically and income from these assets are being generated on a regular basis through the initiation of successful alternative business as per the above mentioned facts. Therefore, the SECP issued an order on 26-01-2018 withdrawing the notice and disposing of proceedings for show cause notice under Section 309 based on the efforts of KTML Management. In addition, the SECP directed the Company to make the necessary changes to the name, articles and memorandum of association in order to reflect the alternative business being undertaken.

Consequently, due to the positive SECP ruling and KTML's BOD approval, Management intends to continue the policy of repairing excess warehouses located within the Mill for use of storage by reputable distributors, thereby utilizing excess empty buildings for the generation of additional revenue for the Company. Furthermore, Management also intends to expand the size of the livestock farm on KTML excess land thereby increasing the sale of Cattle for FY-2019. The income derived from this additional business activity will be used for the maintenance of the Mill's assets, the expansion of livestock farm, the salaries of employees, the Companies legal expenses and meeting the Company's day-to-day requirements under the Companies Act 2017.

It would be pertinent to repeat that the management is determined to rehabilitate the Unit and for that purpose is making efforts to overcome these difficulties. Furthermore, the Company's main effort is to restart the textile unit once funding is available from the Banks, for which KTML's Management is pursuing the legal cases so that they may reach finality.

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

	2018	2017
	(Rupees)	
9 SHARE CAPITAL		
SUBSCRIBED & PAID UP CAPITAL:		
a) Issued for Cash		
i) 517,813 Ordinary Shares (2017 : 517813) of Rs. 10/- each fully paid up	5,178,130	5,178,130
ii) 200,000 Ordinary Shares of Rs.10/- each, Rs.8.75 paid up	1,750,000	1,750,000
	6,928,130	6,928,130
b) Issued for Consideration other than cash 64,897 ordinary shares of Rs. 10/-each fully paid for acquisition of assets	648,970	648,970
c) Issued as Bonus Shares		
i) 444,793 Ordinary Shares of Rs. 10/- each, fully paid-up	4,447,930	4,447,930
ii) 200,000 Ordinary Shares of Rs. 10/each Rs. 1.25 paid-up to make these shares as fully paid up.	250,000	250,000
	4,697,930	4,697,930
	12,275,030	**12,275,030**

10 SURPLUS ON REVALUATION OF FIXED ASSETS

This represents revaluation surplus relating to Freehold Land, Building and Civil Works and Plant & Machinery of the company (Reference Note 16).

Opening Balance as on July 01	355,391,435	364,637,348
Transfer to unappropriated loss through statement of changes in equity in respect of incremental depreciation for the year.	(8,534,980)	(9,245,913)
	346,856,455	355,391,435

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

		2018	2017
		(Rupees)	

11 DEFERRED TAX LIABILITY

Representing related deferred tax liability arising on revaluation of property plant & equipment.

	2018	2017
Opening balance	39,042,849	43,261,051
Deferred Tax Liability arising in respect of surplus on revaluation	-	-
Less: Deferred Tax Liability relating to incremental depreciation for the year, recognized in profit or loss account	(3,819,940)	(4,218,202)
	35,222,909	39,042,849

12 LONG TERM LOAN FROM DIRECTORS

	2018	2017
Loan from Directors - unsecured		
Opening Balance	28,500,475	26,450,475
Received during the year	200,000	2,350,000
	28,700,475	28,800,475
Returned during the year	-	(300,000)
	28,700,475	**28,500,475**

This represents the amount received from directors of the Company for the purpose of meeting day to day expenses and implementing new business plans. The loan is interest free and repayable on demand.

13 TRADE AND OTHER PAYABLES

	Note	2018	2017
Trade Creditors	13.1	24,249,834	40,202,714
Advance against rent		73,700	67,000
Accrued Liabilities		225,392	196,500
Other Liabilities		28,558	28,558
		24,577,484	**40,494,772**

13.1 During the year trade creditors to tune of Rs. 15,952,880/- are written back to other income. (Note No. 24).

14 PROVISION FOR TAXATION

	2018	2017
Opening balance	972,879	-
Provided during the year		
Current	1,511,263	972,879
Prior	543,900	118,784
	2,055,163	1,091,663
Adjustment for assessment completed/ paid	(1,516,779)	(118,784)
	1,511,263	**972,879**

15. CONTINGENCIES & COMMITMENTS

NBP vs. KTML:
During the 1990's, NBP's policy towards KTML of denial of working capital and placing restrictions on access to long-term modernization funds that KTML required in order to stay competitive in the textile market, led to year on year losses for the Company. Due to the banks coercive methods, KTML agreed to the Bank's offer of placing the outstanding dues for consideration initially before the Revival of Sick Units Committee No.6 Islamabad and thereafter to Committee No. 5. These Committees had been formed in June of 1997 on the directives of the Prime Minister of Pakistan and given a mandate by the State Bank of Pakistan to assist industries in genuine distress due to credit restrictions. The Committee's authority and binding nature of recommendations was confirmed through issuance of SBP Circular No. 19, which stated that after a decision is made by the Committee, "in case no clearance of objection is received within seven days from the date of decision of the Committee, it will be deemed as final." Furthermore, SBP Circulars 20 & 21 were also issued, directing NBP and other commercial banks to follow the decisions of the Government mandated Committee.

The Committee checked and examined the facts and determined that KTML's case was genuine and hence accepted KTML's case for review. In addition, NBP's Senior Management also requested that KTML's case be transferred to Committee No.5 Islamabad, for deliberation on all outstanding issues between both parties. The Bank's Senior Management nominated Executive Vice President/Deputy Regional Chief Executive of National Bank of Pakistan who took part in the proceedings of Committee No.5 vigorously; the positions of both sides were laid bare before the Committee. NBP pitched its outstanding capital funds at Rs.7.4 Million, which were accepted by the Committee. The Committee recommended repayment of the liability in installments and determination of debenture loan in accordance with Industrial Rehabilitation Committee recommendations. The recommendations were appropriately conveyed to NBP for confirmation indicating that in case no response is received within 7 days, the recommendations shall become final. After receiving 3 installments from KTML in accordance with Committee recommendations, NBP issued a letter after 8 months of receipt of Committee recommendations, stating that it was instituting suit for recovery of liabilities. Despite this, KTML continued to abide by the binding decisions of the Committee No. 5 and repaid NBP's entire loan including interest amounting to Rs.9.57 million. Although the decisions of the Committee were applicable and binding, in 1998 NBP filed a lawsuit against the Company in the Peshawar High Court for recovery of Rs.437 Million erroneously calculated on basis of outstanding loans from the 1970s and 1980s, thereby ignoring the binding decisions of the IRC (1982/1986) and Committee Number 5 (1997).

KTML's Management and Legal Team are pleased to inform you that the National Bank of Pakistan versus Khyber Textile Mills Ltd. Suit 14/98 has been decided in favor of KTML and against NBP by the Hon'able Peshawar High Court on 17-03-2014. The judgment is based on the legal and factual aspects, in which the Banking Judge has determined that KTML had indeed paid all outstanding dues to NBP, in accordance with the decision of Committee No.5 constituted by Federal Government in 1997 and that the entire outstanding loan amounting to Rs.9.5 Million has been paid by KTML, which had been duly acknowledged by NBP in the High Court. It was also held by the Court that the matter originally being heard by Committee Number 6 was referred to Committee No. 5 on NBP's request and that the State Bank of Pakistan had issued Circulars 19, 20, and 21 constituting these Committees, in which SBP directed the Banks, including NBP, to follow the decisions of the Committee. Consequently, based on these above-mentioned facts NBP's suit was dismissed. However, in order to coerce the Company to submit to its illegal demands, NBP filed an appeal in the Peshawar High Court, and as of September 2018 arguments regarding the appeal are pending. Nonetheless, KTML's management and legal department will continue to defend NBP's appeal vigorously.

ICP, NBP& Others vs. KTML:
The Hon'ble Sindh High Court vide its order dated 24/02/2010 has set aside the ex-parte Judgment and Decree passed in favor of ICP, NBP & Others in Suit B-05/2005 based on the observation that the Banks had not served legal notice to KTML's registered address in Baldher, Haripur, NWFP (now KPK). Subsequently the Sindh High Court Judge ordered KTML to file a Leave to Defend application so that the case may proceed with both sides present. KTML's legal attorney had consequently filed a Leave to Defend application and the Sindh High Court on 10/01/2016 has accepted KTML's Leave to Defend Application for the case. In July 2017 the Banking Consortium has filed Affidavits in Evidence and list of documents to be relied upon in which the Banking Consortium has revised its claim to Rs.50 Million against KTML. As of September 2018 the matter is sub judice and the cross-examination of witnesses are proceeding. Furthermore, the suit's decisions are pending on issues of res judicata, jurisdiction and limitation raised by KTML's Attorney in the Sindh High Court.

KTML's Management and legal department are optimistic that this suit has no standing and will be dismissed once again as NBP has filed two cases for recovery of the same amount in two different High Courts. Additionally, KTML's legal department is of the view that this suit is time barred as these loans were issued in 1970's and 1980's and all outstanding loans determined by Baig Committee and Committee Number 5 have been repaid to the banking consortium. Finally, a judgment on these issues in KTML's favour has already been decided by the Honorable Peshawar High Court on 17-03-2014, which has been submitted by our attorney to the Sindh High Court.

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

16 PROPERTY, PLANT AND EQUIPMENT

AMOUNT IN RUPEES

PARTICULARS	COST / REVALUATION				DEPRECIATION				WRITTEN DOWN
	AS ON 01/07/2017	ADDITIONS/ (DISPOSALS)	AS ON 30/06/2018	RATE	AS ON 01/07/2017	DEPRECIATION FOR THE YEAR	DEPERECIAITON ON REVALUATION FOR THE YEAR	ACCUMULATED DEPRECIATION AS ON 30/06/2018	VALUES AS ON 30/06/2018
	Rs.	Rs.	Rs.		Rs.	Rs.		Rs.	Rs.
Free Hold Land	292,800,000	-	292,800,000		-	-	-	-	292,800,000
Building & Civil Works on free hold land	133,276,335	-	133,276,335	5%	49,630,616	4,182,286	-	53,812,902	79,463,433
Sheds for livestock	1,181,837	-	1,181,837	10%	22,042	115,980	-	138,022	1,043,815
Plant & Machinery	254,654,814	-	254,654,814	10%	194,542,932	6,011,188	-	200,554,120	54,100,694
Tools & Equipment	1,200,738	-	1,200,738	10%	1,088,023	11,272	-	1,099,295	101,443
Electric Fittings	7,933,823	-	7,933,823	10%	7,323,526	61,030	-	7,384,556	549,267
Furniture & Fixture	877,824	-	877,824	10%	830,051	4,777	-	834,828	42,996
Telephone Fitting	238,000	-	238,000	10%	222,856	1,514	-	224,370	13,630
Office Equipment	408,665	-	408,665	10%	395,979	1,269	-	397,248	11,417
Electric, Gas & Hone Appliance	433,468	-	433,468	10%	406,832	2,664	-	409,496	23,972
Motor Vehicles	907,904	-	907,904	20%	906,453	290	-	906,743	1,161
Total : 2018	693,913,408	-	693,913,408		255,369,310	10,392,270	-	265,761,580	428,151,828

The management of the Company in compliance with the Order dated April 29, 2013 issued by the Securities & Exchange Commission of Pakistan has carried out a formal assessment of the fair value of fixed assets of the Company. Revaluation of fixed assets was carried out in June 2013 on the instructions of the Securities and Exchange Commission of Pakistan by an independent valuer, M/s Impulse (Pvt) Ltd.,1081, 4th Floor, Rehman Building, Saddar Road, Peshawar.

The fair values of assets have been determined with reference to market-based evidences, based on active market prices and relevant enquiries and information as considered necessary, adjusted for any difference in nature, location and conditions of the specific property and in case where market-based evidences are not available or not applicable due to the specialized nature of asset, then it were based on depreciated replacement cost method. The details are as under:

	Surplus on Revaluation
Freehold Land	292,698,426
Building and Civil Works	104,926,026
Plant and Machinery	75,792,843
	473,417,295

Forced sale value as per revaluation report dated June 25, 2013 of free hold land, building & civil works & plant & machinery of Rs. 263.52million, 91.88 million & 81.44 million respectivly.

Had there been no revaluation, the values of specific classes of freehold land, building & civil works and plant & machinery at June 30, 2018 would have been as follows:

	Cost	Accumulated Depreciation	Written Down Values
Freehold Land	101,574	-	101,574
Building and Civil Works	28,350,309	26,017,145	2,333,164
Plant and Machinery	178,861,971	165,040,703	13,821,268
	207,313,854	191,057,848	16,256,006

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

PARTICULARS	COST / REVALUATION			DEPRECIATION					WRITTEN DOWN
	AS ON 01/07/2016	ADDITIONS/ (DISPOSALS)	AS ON 30/06/2017	RATE	AS ON 01/07/2016	DEPRECIATION FOR THE YEAR	DEPERECIAITON ON REVALUATION FOR THE YEAR	ACCUMULATED DEPRECIATION AS ON 30/06/2017	VALUES AS ON 30/06/2017
	Rs.	Rs.	Rs.		Rs.	Rs.		Rs.	Rs.
Free Hold Land	292,800,000	-	**292,800,000**		-	-		-	**292,800,000**
Building & Civil Works on free hold land	133,276,335	-	**133,276,335**	**5%**	45,228,210	**4,402,406**	-	**49,630,616**	**83,645,719**
Sheds for livestock	-	1,181,837	**1,181,837**	**10%**	-	**22,042**	-	**22,042**	**1,159,795**
Plant & Machinery	254,654,814	-	**254,654,814**	**10%**	187,863,834	**6,679,098**	-	**194,542,932**	**60,111,882**
Tools & Equipment	1,200,738	-	**1,200,738**	**10%**	1,075,499	**12,524**	-	**1,088,023**	**112,715**
Electric Fittings	7,933,823	-	**7,933,823**	**10%**	7,255,715	**67,811**	-	**7,323,526**	**610,297**
Furniture & Fixture	877,824	-	**877,824**	**10%**	824,743	**5,308**	-	**830,051**	**47,773**
Telephone Fitting	238,000	-	**238,000**	**10%**	221,173	**1,683**	-	**222,856**	**15,144**
Office Equipment	408,665	-	**408,665**	**10%**	394,569	**1,410**	-	**395,979**	**12,686**
Electric, Gas & Hone Appliance	433,468	-	**433,468**	**10%**	403,872	**2,960**	-	**406,832**	**26,636**
Motor Vehicles	907,904	-	**907,904**	**20%**	906,090	**363**	-	**906,453**	**1,451**
Total : 2017	**692,731,571**	**1,181,837**	**693,913,408**		**244,173,705**	**11,195,605**	-	**255,369,310**	**438,544,098**

16.1 Depreciation charge for the year has been allocated as under;

	2018 Rs.	2017 Rs.
Cost of sale	115,980	-
Administrative Expenses	10,276,290	11,195,605
	10,392,270	11,195,605

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

S. No.	Location	Usage of immovable property	Total Area
1	Plot bearing # 173, 357, 358, 462, 466, 460, 36, 38, 67/1 Qitta 4 situated at Baldher, Shahrah-e-Resham, District Haripur, Khyber Pakhtunkhawa.	Production facility, Plant, Warehouses, Labour Colony, Live Stock Farm, Agricultural Land & Head Office.	366 Kanals / 45.75 Acres

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

	Note	2018	2017
		(Rupees)	
17 LIVESTOCK			
Opening fair value		**2,168,908**	**-**
Acquisition of livestock			
Mature animals		704,900	1,344,000
Immature animals		1,125,000	411,000
		1,829,900	**1,755,000**
		3,998,808	**1,755,000**
Additional costs incurred	17.1	-	413,908
		3,998,808	**2,168,908**
Cost of animals sold		(1,343,007)	-
		2,655,801	**2,168,908**
Gain in fair value of biological assets		1,166,699	-
		3,822,500	**2,168,908**

17.1 This represents amount of Rs. 177,908/-, Rs. 177,900/- and Rs. 58,100/- towards cost incurred during FY 2017 under the head of animal food and medicines, labor hired and transportation respectively.

17.2 Reconciliation of carrying amounts of livestock

	Mature	Immature	Total
	------------ Rupees ------------		
Opening balance	1,673,132	495,776	2,168,908
Purchase	704,900	1,125,000	1,829,900
Transferred during the year 17.2.1	370,463	(370,463)	-
Available for sale	2,748,495	1,250,313	3,998,808
Less: Cost of animals sold	(972,544)	(370,463)	(1,343,007)
	1,775,951	879,850	2,655,801
Add: Gain from fair value 17.2.2	954,049	212,650	1,166,699
	2,730,000	**1,092,500**	**3,822,500**

17.2.1 This represents biological assets transferred from immature animals to mature animal's herd.

17.2.2 The fair value of livestock as at June 30, 2018 is assessed by the management of Company. In assessing the fair value of animals the management has considered the physical condition and market value as on the balance sheet date.

17.2.3 Number of mature and immature animals as at June 30, 2018 are 42 (2017 : 33) and 38 (2017 : 17) respectively.

	2018	2017
18 STORES & SPARES		
General Stores	3,000,000	3,000,000
Less: Provision for diminution in value	(3,000,000)	(3,000,000)
	-	-

	2018	2017
19 TAXES REFUNDABLE		
Considered good	1,487,984	860,247
Considered doubtful	266,327	266,327
	1,754,311	1,126,574
Less: Provision for bad and doubtful	(266,327)	(266,327)
	1,487,984	**860,247**

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

	Note	2018	2017
		(Rupees)	
20 CASH & BANK BALANCES			
Cash in hand		174,314	28,168
Cash at Bank			
In Current Accounts		18,470	247,476
		192,784	**275,644**
21 SALES			
Sales revenue from livestock		**1,750,000**	**-**
22 COST OF SALES			
Cost of animals	17.2	1,343,007	-
Animal food and medicines consumed	22.1	922,514	-
Salaries and wages		354,000	-
Transportation		48,370	-
Depreciation Expenses		115,980	-
		2,783,871	**-**
22.1 Animal food and medicines consumed			
Opening stock		40,040	-
Purchase		1,067,594	-
Closing		(185,120)	-
Consumed		**922,514**	**-**
23 ADMINISTRATIVE EXPENSES			
Salaries and Allowances		1,526,463	877,500
Conveyance, Traveling & Entertainment		81,680	33,430
Postage, Telegram & Telephone		72,163	45,840
Membership Fee & Subscription		137,271	127,595
Legal and professional charges		165,000	120,000
Printing & Stationery		34,700	7,000
Provision for bad and doubtful		-	266,327
Fuel and Power		477,679	388,413
Advertisement		16,100	14,900
Repairs & Maintenance		323,920	161,204
Depreciation Expenses		10,276,290	11,195,605
		13,111,266	**13,237,814**
24 OTHER INCOME			
Liabilities written back	13.1	15,952,880	293,842
Gain from changes in fair value of biological assets	17.2.2	1,166,699	-
		17,119,579	**293,842**
25 OTHER OPERATING EXPENSES			
Auditors' Remuneration			
Annual Audit Fee		216,000	162,000
Half Yearly Review Fee		64,800	43,200
Out of pocket expenses		47,200	34,500
		328,000	**239,700**

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

26 TAXATION

26.1 CURRENT

The charge for the year is reconciled to the profit or loss account as under:

	2018	2017
	(Rupees)	
Accounting loss before tax	8,941,990	(9,264,859)
Add: Inadmissible Deductions		
Liabilities written back	15,952,880	293,842
Accounting depreciation	10,392,270	11,195,605
Gain from changes in fair value of biological assets	1,166,699	-
Provision for bad and doubtful	-	266,327
	27,511,849	**11,755,774**
Less: admissible Deductions		
Property income subject to separate block of income	6,296,930	3,922,898
Exempt agricultural income	243,356	454,000
Tax Depreciation / Initial Allowance for Current Year	1,561,393	1,998,377
	8,101,679	6,375,275
Taxable profit/ (loss) before adjustment of loss carry forward	**28,352,160**	**(3,884,360)**
Less: carry forward loss		
Unabsorbed Tax Depreciation for Previous Years	20,572,405	18,574,028
Unadjusted (Loss) from Business	13,801,535	12,902,932
	34,373,940	31,476,960
Taxable loss	**(6,021,780)**	**(35,361,320)**
- Tax applicable rate	30%	31%
- Tax payable	(1,806,534)	(10,962,009)
Computation of property income		
Property income	6,296,930	3,922,898
Less: 1/5th deducted in computing income chargeable under the head income from property	(1,259,386)	(784,580)
Taxable property income	5,037,544	3,138,318
- Tax at the applicable income tax rate	1,511,263	972,879
Less: Advance tax u/s 147	1,475,000	850,000
Less: Tax on PTCL Bills	4,102	3,380
Less: Tax on Cash Withdrawals from banks	8,882	6,867
	1,487,984	860,247
Net tax payable	**23,279**	**112,632**

26.2 DEFERRED

Due to suspension of business activities since July 01, 2007 and available brought forward assessed losses of the Company the effect of temporary differences both taxable and deductible are not likely to arise. Except as disclosed in note 11.

26.3 Income Tax assessments of the Company have been finalized upto and including the tax year 2017 under section 120 of the Income Tax Ordinance, 2001. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017	2016	2015
Income tax provision for the year - accounts	972,879	-	-
Income tax as per assessment	(972,879)	(118,784)	-
Difference	-	(118,784)	-

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

		2018	2017
		(Rupees)	
27 EARNING PER SHARE			
Weighted average number of ordinary shares outstanding during the year	(Numbers)	1,227,503	1,227,503
Profit / (loss) after taxation	(Rupees)	10,706,767	(6,138,320)
Other comprehensive income	(Rupees)	243,356	454,000
		10,950,123	(5,684,320)
Profit / (loss) per share	(Rupees)	**8.92**	**(4.63)**

There is no dilutive effect on the basic earning per share during the year.

28 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 the financial assets and financial liabilities of the Company reflected in the financial statements approximate their fair values.

29 FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks: market risk, credit risk and liquidly risk. The Company's risk management policy focuses on the impact of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board of Directors has overall responsibility for establishment and over sight of the Company's risk management frame work and for developing and monitoring the Company's risk management policies. The Board regularly meets and any changes and compliance issues are reported to the Board through the audit committee.

30 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 risk comprises three types of risks interest rate risk, foreign currency risk, and other price risk.

30.1 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date the interest rate profile of Company's interest-bearing financial instruments is as under:

	Carrying amount in rupees	
	2018	2017
Financial Assets	-	-
Financial Liabilities	**28,700,475**	**28,500,475**

Sensitivity Analysis

The Company is not exposed to interest rate risk. (refer note-12)

30.2 Foreign Currency risk

Foreign currency risk is the risk that the fair value of future cash flows relating to a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Sensitivity Analysis

The Company is not materially exposed to foreign currency risk on its financial assets and liabilities as there are no transaction involving such risk in the current year.

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

31 CREDIT RISK

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company under usual circumstances receives advance against sales and only casually applies credit limits to its customers therefore does not have any significant exposure to any individual customer resulting in the concentration of credit risk.

Concentration of credit risk arises when a number of counter parties 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. It indicates the related senility of the Company's performance to developments affecting the particular industry.

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	Carrying amount in rupees	
	2018	**2017**
Financial Assets		
Long Term Deposits	88,983	88,983
Bank Balances	18,470	247,476
	107,453	**336,459**

32 LIQUIDITY RISK

Liquidity risk reflects the Company's inability of generating funds to meet its commitments. The Company applies effective funds management techniques by maintaining sufficient cash and bank balances and by keeping committed credit limits in the circumstances in which the Company for the being continues.

The table below analyse the maturity profile of the Company's financial liabilities at the reporting date to the maturity date.

	Carrying amount	Contractual cash flows	Less than one year	Over one year
	-----2018-----			
Financial Liabilities				
Long Term Loan from directors	28,700,475	28,700,475	-	28,700,475
Trade Creditors	24,249,834	24,249,834	24,249,834	-
Accrued Liabilities	225,392	225,392	225,392	-
Other Liabilities	28,558	28,558	28,558	-
	53,204,259	**53,204,259**	**24,503,784**	**28,700,475**
	-----2017-----			
Long Term Loan from directors	28,500,475	28,500,475	-	28,500,475
Trade Creditors	40,202,714	40,202,714	40,202,714	-
Accrued Liabilities	196,500	196,500	196,500	-
Other Liabilities	28,558	28,558	28,558	-
	68,928,247	**68,928,247**	**40,427,772**	**28,500,475**

33 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can provide returns for shareholders benefits, for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure by monitoring return on net assets and financial leverages.

34 TRANSACTIONS WITH RELATED PARTIES

	2018	**2017**
	(Rupees)	
i) Purchase of goods and services	-	-
ii) Sales of goods and services	-	-
iii) Brokerage, discount and commission	-	-
iv) Interest on loans	-	-
v) Loans and advances		
a) loan (returned)/ (provided)		
Mr. Farid M Jadoon	-	(300,000)
b) Loan received:		
Mr. Adam Jadoon	200,000	2,350,000
vi) Any other transaction	-	-
	200,000	**2,050,000**

It represents the amount of loan obtained from directors of the company during the year to meet day to day running cost and repayment of liabilities and it is free of mark-up.

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

35 REMUNERATION OF CHIEF EXECUTIVE , DIRECTORS AND OTHER EXECUTIVES.

Remuneration and meeting fees were forgone by the Directors and Chief Executive as such no fee, remuneration, perquisites and gratuity were paid to them during the year .

There were no Loans or advances granted to the Directors during the year.

36 PRODUCTION CAPACITY

PARTICULARS	CAPACITY Kgs	ACTUAL PRODUCTION Kgs	ACTUAL PRODUCTION IN 20 Kgs
YARN:			
Coarse	431,267	-	-
Medium	3,780,187	-	-
Fine	206,570	-	-
Year 2018	4,418,024	-	-
Year 2017	4,418,024	-	-

Capacity in 20/s = 6,585,921 Kgs (2017: 6,585,921 Kgs)

a. Number of spindles installed in the factory is 26,460 (2017: 26,460)

b. Number of shifts worked per day is NIL (2017: NIL)

37 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 3rd Octoer 2018 by the Board of Directors of the Company.

38 NUMBER OF EMPOLYEES

Number of employees at the end of the year was 9 (2017 : 7)
Average number of employees during the year were 8 (2017 : 5).

39 FIGURES

Figures have been rounded off to the nearest rupee.

Chief Executive	**CHIEF FINANCIAL OFFICER**	**DIRECTOR**

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2018
ADDITIONAL INFORMATION

Shareholders' Category		Number of Shareholders	Number of Shares Held	Percentage
Associated Companies, Undertaking and Related Parties		0	-	-
Directors, CEO and their spouses and minor children				
Mr. Adam Jadoon	Chief Executive	1	232,077	18.91%
Mr. Amanullah Khan	Director	1	3,085	0.25%
Mr. Nasir Khan	Director	1	3,950	0.32%
Mr. Aurangzeb Khan	Director	1	5,298	0.43%
Mr. Omar Farid Jadoon	Director	1	133,069	10.84%
Mr. M. Bahuddin	Director	1	2,800	0.23%
Mrs. Aamna Jadoon	Director	1	64,106	5.22%
			444,385	**36.20%**
Executives		0	-	-
Banks, Development Finance Institution, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds		16	22,925	1.87%
Individuals		420	760,193	61.93%
		443	**1,227,503**	

Shareholders holding 5% or more voting rights

Mr. Adam Jadoon	232,077	18.91%
Mr. Zaffar Iqbal Jadoon	187,439	15.27%
Mr. Omar Farid Jadoon	133,069	10.84%
Miss Sara Jadoon	111,700	9.10%
Mrs. Aamna Jadoon	64,106	5.22%
	728,391	**59.34%**

Details of transactions in the shares by the Directors, Executives and their spouses and minor children:

Transactions in shares made during the year-Nil.

PATTERN OF HOLDING OF SHARES
HELD BY THE SHARE HOLDERS AS AT 30TH JUNE, 2018

S. No.	NO OF SHARE HOLDERS	SHARE FROM	HOLDING TO	TOTAL SHARES HELD
1	130	1	100	6691
2	162	101	500	40159
3	59	501	1000	45023
4	69	1001	5000	153894
5	13	5001	10000	88235
6	0	10001	15000	0
7	0	15001	20000	0
8	2	20001	30000	45861
9	2	30001	40000	68876
10	0	40001	50000	0
11	2	50001	100000	114479
12	2	100001	150000	244769
13	1	150001	200000	187439
14	1	200001	250000	232077
	443			**1227503**

CATEGORIES OF SHARES-HOLDERS AS ON 30TH JUNE, 2018

S. No.	SHARE HOLDING	NUMBER OF SHARE HELD	TOTAL SHARES	PERCENTAGE
1	INDIVIDUAL	426	1204019	98.09%
2	INVESTMENT COMPANIES	6	5956	0.49%
3	INSURANCE COMPANIES	2	12598	1.03%
4	PUBLIC LIMITED COMPANIES	2	400	0.03%
5	FINANCIAL INSTITUTIONS	4	3863	0.31%
6	TRUST	1	100	0.01%
7	ABOUNDED PROPERTIES	1	559	0.05%
8	PRIVATE COMPANIES	1	8	0.00%
		443	**1227503**	**100.00%**

FORM OF PROXY

I/WE ____________________________________OF___________________________________

being shareholders(s) OF Khyber Textile Mills Limited, Shares Nos________________________

Of____

(or-failing him____

Of____

(another member of the Company) to attend, act and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday the 29th October 2018 at 12 .30 pm noon at the Registered Office of the Company, Baldher District Haripur and at any adjournment thereof.

As witness my hand this __________________________________day of____________________

Affix Re. 8.00 Revenue Stamp

Signature of Shareholder

IMPORTANT:-

(A) Signature must be in accordance with the specimen filed with the Company.

(B) A proxy should also be a member of the Company.

(C) The Form of Proxy duly completed mest be deposited at the Company Registered Office Khyber Textile Mills Ltd, Baldher, Haripur at least 48 hours before the time of Meeting.