BIBOJEE GROUP

48th Annual Report 2018

BABRI COTTON MILLS LIMITED

COMPANY'S PROFILE

BOARD OF DIRECTORS	Mr. Raza Kuli Khan Khattak Chief Executive Mr. Ahmed Kuli Khan Khattak Mr. Gohar Ayub Khan Mrs. Shahnaz Sajjad Ahmad- Chair person Dr. Shaheen Kuli Khan Khattak Mr. Sikandar Kuli Khan Khattak Major (Retd.) Muhammad Zia Mr. Saad Waheed Dr. Hamid Zeb Khan	
AUDIT COMMITTEE	Mr. Saad Waheed	Chairman
	Mr. Ahmed Kuli Khan Khattak	Member
	Mr. Gohar Ayub Khan	Member
HUMAN RESOURCE	Mr. Saad Waheed	Chairman
AND REMUNERATION COMMITTEE	Mr. Raza Kuli Khan Khattak	Member
	Mr. Ahmed Kuli Khan Khattak	Member
COMPANY SECRETARY	Mr. Noor-un-Nabi ACA, APA	
CHIEF FINANCIAL OFFICER	Mr. Noor-un-Nabi ACA, APA	
INTERNAL AUDITOR	Mr. Nasir Ali Khan ACCA, APA	
AUDITORS	M/s ShineWing Hameed Chaudhri & Co., Chartered Accountants	
SHARE REGISTRARS	Hameed Majeed Associates (Pvt.) Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi Tel : (021) 32424826, 32412754 Fax: (021) 32424835	
BANKERS	National Bank of Pakistan The Bank of Khyber	
Legal Adviser	M/s Hassan & Hassan, Advocate Paaf building, 1-D Kashmir/Egerton road Lahore	
Tax Consultant	M. Nawaz Khan & Co. Ground Floor, Farrah centre, 2- Mozang road, Lahore	
REGISTERED OFFICE & MILLS	Habibabad, Kohat Tel : (0922) 862285 - 862284 Fax : (0922) 862283 Website : www.bcm.com.pk	

E-mail : info@bcm.com.pk

VISION STATEMENT

To be market leaders in yarn, building company's image through innovation and competitiveness, ensuring satisfaction to customers and stakeholders and to fulfill social obligations.

MISSION STATEMENT

As lead producers of quality yarn we will build on our core competencies and achieve excellence in performance. We aim at exceeding expectations of all stakeholders. We target to achieve technological advancements and to inculcate the most efficient, ethical and time tested business practices in our management.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 48th Annual General Meeting of the company will be held at the registered office of the Company at Habibabad, Kohat on Friday 19 October, 2018 at 12:45 P.M to transact the following business:

1. To confirm minutes of the Annual General Meeting held on 27 November, 2017.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2018 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the financial year 2018-19 and to fix their remuneration. The retiring auditors M/s. Shinewing Hameed Chaudhri and Company Chartered Accountants, Lahore being eligible have offered themselves for re-appointment.
4. To consider any other business with the permission of the Chair.

By order of the Board

Kohat
Dated: 28 September, 2018

Noor-Un-Nabi
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 12, 2018 to October 19, 2018 (both days inclusive).Transfer received at M/s. Hameed Majeed Associates (Pvt), Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, before close of business hours on October 11, 2018 will be treated in time.
2. A member entitled to attend and vote at this meeting may appoint another person as his/her proxy to attend the meeting and vote for his/her behalf. Proxy instrument in order to be effective must be received at the registered office of the Company duly stamped and signed not less than 48 hours before the time of holding the meeting.
3. Any individual beneficial owner of CDC entitled to attend and vote at this meeting must bring his/her CNIC or Passport to prove his/her identity, and in case of Corporate Members, the Board's resolution power of attorney with specimen signatures of the nominee shall require to be produced at the time of meeting.
4. All Shareholders are again requested to send immediately their Bank A/c No. & IBAN No & Name of Bank/Branch/City alongwith copy their CNIC to enable the company to send the amount of dividend to them if declared, through Bank A/c on line system, as per directions of the SECP.
5. Shareholders are requested to notify the change of their addresses.
6. Members can also avail Video Conference facility. In this regard please fill the following and submit to the registered address of the company within ten (10) days before holding of general meeting.

I/We.______________of______________ being a member of BABRI COTTON MILLS LIMITED, holder of ______ Ordinary Shares as per Register Folio No./CDC A/C No. ________
Hereby opt for Video conference Facility at _______.

Signature of members

Note:

1. If the Company receives consent from members holding an aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through Video Conference at least 10 days prior to the date of availability of such facility in that city.
2. Comprehensive notice of AGM to be held on 19th October, 2018 is being circulated to the shareholders along with annual audited Financial Statements for the year ended 30th June 2018 also it is available on Company's Website i.e www.bcm.com.pk

CHAIRPERSON'S REVIEW

On behalf of the Board of Directors, I am pleased to present the review for the year ended June 30, 2018 highlighting the Company's performance and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

FINANCIAL OVERVIEW

The current fiscal year has not been good, due to maximum operational losses, for the company during last ten years. Although, the turnover of the company has risen by Rs.240.374 million (14.57%) during current financial year, but gross margins have severely declined by Rs.88.620 million (4.69% of sales), depicting negative growth during this financial year. Loss before taxation has also been increased by Rs.114.429 million as compared to previous financial year in spite of increased sales volume.

Current year's financial results in comparison to previous year are as under:

	Year ended June 30,	
	2018	2017
	(Rupees in thousands)	
Sales	**1,890,012**	1,649,638
Gross (Loss) / Profit	**(33,522)**	55,098
Operating Loss	**(112,759)**	(22,863)
Finance Cost	**(45,081)**	(24,656)
(Loss) before Taxation	**(162,550)**	(48,121)
(Loss) after Taxation	**(138,936)**	(29,296)

	----------Rupees----------	
Loss per Share		
Basic and diluted Loss per share – Rs.	**(38.04)**	(8.02)

PERFORMANCE EVALUATION AND EFFECTIVENESS OF THE BOARD

The board has developed and in process of adopting structured criteria and processes to evaluate its own performance, as well as individual performances of every member and their respective contribution towards common objectivity of achieving excellence at every level. Comprehensive questionnaires are developed in this regard to ensure the growth targets of the Company. The responses to these questionnaires are discussed in detail after being complied at different board meetings. The foremost role of the board is to ensure its performance in fulfillment of its fiduciary responsibilities, providing strategic guidance and vision through target setting of the management ultimately complying the statutory requirements relating to policies, international standards and best practices.

While developing respective committees, as required under the Listed Companies (Code of Corporate Governance) Regulations, 2017, the Board has established specific roles, guidelines and responsibilities through some terms of references for each committee. The overall performance of the board remained satisfactory.

Frequency of the board's meeting during financial year 2017-18 was as follows:

- Board of Directors: **Four**
- Board Audit Committee: **Four**
- Human resource and Remuneration Committee: **One**

The Company has established an independent Internal Audit department and follows a risk based audit methodology. Internal Audit reports are presented to Board audit committee on quarterly basis and areas for continuous improvement are highlighted.

OPERATIONAL RISKS, CHALLENGES AND FUTURE PERSPECTIVE

I do expect following challenges to be faced by the textile industry as a whole, in coming period:

- High power generation cost (probable imposition of GIDC);
- Escalation in labor cost (increase in minimum wage);
- Rupee devaluation (thereby increasing in raw material input cost); and

Now the textile companies should focus on enhancing their financial strengths to meet these challenges in terms of both liquidity and profitability relating to operating cash and working capital requirements. There should also be the medium-term and long-term strategic plans for the technological advancements to meet the quality parameters required by the customers.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to acknowledge and appreciate the extraordinary efforts made by the whole team of professionals, in sailing the company through one of its most critical times of operational losses and severe liquidity crunches. I also express gratitude to all stakeholders of the company including our customers, financial institutions and supply-chain vendors for their continued cooperation and support.

The Board of directors is confident about achievement of anticipated challenges during next year with more enthusiasm.

Shahnaz Sajjad Ahmad

September 27, 2018
Rawalpindi

Mrs. Shahnaz Sajjad Ahmad
Chairperson

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of the Company are pleased to present 48th annual report of your company together with audited financial statements and auditors' report thereon for the year ended June 30, 2018. Figures for the previous year ended June 30, 2017 are included for comparison.

Company's Overview

The principle activity of your company is the manufacturing of ring spun yarns of medium to fine counts range, i.e. from 30/1 to 80/1, both carded and combed. Our customer base is mainly the shuttles and air-jet segment of weaving industry. We also have the capacity to produce open end yarn from 8/1 to 12/1 through primary wastes extracted from ring spinning process.

Financial Results

Current year's results compared with previous year are given as under:

	Year ended June 30,	
	2018	2017
	(Rupees in thousands)	
Sales	**1,890,012**	1,649,638
Gross (Loss) / Profit	**(33,522)**	55,098
Operating Loss	**(112,759)**	(22,863)
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(Loss) before Taxation	**(162,550)**	(48,121)
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Earnings/(Loss) per Share

	----------Rupees----------	
Basic and diluted Loss per share – Rs.	**(38.04)**	(8.02)

Appropriation of Dividend

Keeping in view the financial commitments and due to losses incurred during the period, the company is not able to pay any dividends to its shareholders.

Financial perspective

The current fiscal year has been the worst, in terms of losses, for the company during last ten years. Although, the turnover of the company has risen by Rs.240.374 million (14.57%) during current financial year, but gross margins have declined by Rs.88.620 million (4.7% of sales). It may be termed as negative growth. Loss before taxation has also been increased by Rs.114.429 million as compared to previous financial year despite higher sales volume.

Major reason of occurring loss during the current financial year is the unexpected decline in Faisalabad market yarn prices for those counts, of which we were holding maximum inventory levels. Approximately 50% of our operational loss is mainly attributable to yarn inventory devaluation in market prices. It is pertinent to mention that your company was in gross loss during first six months of the financial year, i.e. till December-2017 only. The management of your company took some immediate rectifying steps to ensure the viability of financial operations, and favorable results of those steps may be witnessed from the comparison of half-yearly and annual financial statements of the company. There was gross loss of 7.83% during first quarter, reduced to 2.97% in second quarter of the financial year 2017-18. During third quarter ended 31st March-2018, the company achieved gross profit of 4.78% showing a major turn-around of 12.61% over sales, as compared to starting quarter of the financial year. The results are continuously on improvement trend now.

We have also inducted new professionals in our marketing and production teams, and putting significant efforts for continuous research & development. We are hopeful that these measures will lead our raw material costs to reasonable low level, making gross margins better in months to come. We are working to enter into different markets for our finished products, making less reliance on Faisalabad segment only. The management of the company is fully aware of the present challenges prevailing in the textile industry and is hopeful that its efforts will be successful. The board of directors is cognizant of these facts and strives to take all necessary steps to protect the interests of its stakeholders.

The company has also accounted for its share of loss of Janana De Malucho Textile Mills Limited (an Associated Company) amounting Rs.4.710 million during the current year as against loss of Rs.0.602 million in 2017. We are strongly focused and fully committed to reduce these expenses through cost-cutting measures at each level.

Textile Industry Overview

Our textile industry is still facing significant economic and governance issues & challenges in achieving desired GDP growth and export targets. Although Pak rupee devaluation of more than 10%, during recent quarter, benefitted textile exporters but this measure was outweighed by rise in the input costs of imported raw materials, being the major constituent of finished product. Furthermore, input costs like energy, labor and other overheads are continuously on rise. Our spinning segment operating in fine counts range has to rely considerably on imported raw materials, which are subject to additional import/custom duties, increasing the input costs by more than 5%. Due to decline in yarn exports, abundant supply of locally manufactured yarn is available in local market, more augmented by Indian low-cost yarn imports, leading toward drastic decline in yarn prices.

Other challenges expected to be faced by this sector are higher power generation and labor costs as compared to neighboring countries. Although there seems to be somewhat political stability in the country after successful transition of democratic government, but still there are various milestones to be achieved in terms of objectivity by this new elected setup. Their core commitment is to boost exports of the country, attaining reasonable GDP growth levels, to cope with challenges like fiscal deficits and monetary imbalances. Initial move by central bank was observed recently in shape of increased discount rate, making an additional financial burden by 1.5% annually on debt profile of the company. Minimum wage is also anticipated to be on increasing trend. Workforce in number is now become inevitable, to be decreased through possible automation in machinery setups, which will add further debt and financial charge burden. Textile package of Rs.180 billion, announced for the industry was not helpful due to its insufficiencies and inadequate modalities like pendency in release of sales tax refunds. Now APTMA is seeking another relief package for survival of this industry.

Now the lifeline for textile companies is their respective financial strength to manage the operational cash flows to meet the operating working capital cycle, either through sponsors' increased proportions of their stakes or some subsidized loans from financial institutions. At the same time, technological advancements, upgradation and BMR plans have also become inevitable in current scenario to hold the market share in terms of quality parameters.

Corporate Governance and Financial reporting methodologies

The directors of the of the company are pleased to state that your company is in compliance with most of the requirements by Listed companies (Code of Corporate Governance) Regulations, 2017, issued by the Securities and Exchange Commission of Pakistan. The board further states that:

a) There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations of The Pakistan Stock Exchange Limited.

b) The financial statements, prepared by the management of the company, presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.

c) Proper books of accounts have been maintained by the company.

d) Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgments.

d) International financial reporting standards, as applied in Pakistan, have been followed in preparation of these financial statements and departures there from have been adequately disclosed therein.

e) The system of internal controls is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the company's ability to continue as a going concern.

g) There has been no material departure from best practices of Code of Corporate governance except for disclosures made in review report over statement of compliance in the financial statements.

j) The board has established an Audit Committee and Human Resource and Remuneration Committee, in compliance with the code of corporate governance, except for disclosures in review report over compliance, in these financial statements.

k) There is no major outstanding liability of statutory taxes & duties at year-end, except for disclosures in contingent liabilities of these financial statements.

Composition of the Board

The Board of Directors of the Company as at 30th June, 2018, constitutes as follows :

1. The total number of directors are 9 (Nine) as per the following:

   (a) **Male: Seven (07)**

   1) Mr. Raza Kuli Khan Khattak
   2) Mr. Ahmad Kuli Khan Khattak
   3) Mr.Gohar Ayub Khan
   4) Mr. Sikandar Kuli Khan Khattak
   5) Mr. Saad Waheed
   6) Major (Retd.) Zia
   7) Dr. Hamid Zeb

   (b) **Female: Two (02)**

   1) Mrs. Shahnaz Sajjad Ahmed
   2) Dr. Shaheen Kuli Khan Khattak

2. The composition of board is as follows:

   1. Independent Director : **Nil**

   2. **Other Non-executive Director**
      1) Mr. Ahmad Kuli Khan Khattak
      2) Mr.Gohar Ayub Khan
      3) Mrs. Shahnaz Sajjad Ahmed
      4) Dr. Shaheen Kuli Khan Khattak
      5) Mr. Saad Waheed
      6) Major (Retd.) Zia
      7) Dr. Hamid Zeb

   3. **Executive Director**
      1) Mr. Raza Kuli Khan Khattak
      2) Mr. Sikandar Kuli Khan Khattak

3. During the previous elections of directors, none of the directors possessed criteria for an independent director. Further, no independent shareholder came forward to contest the election as a director. Hence the shareholders of the company were unable to elect/appoint an independent director. The company's management, however, is fully committed and planning to appoint an independent director in the foreseeable future, so that due representation could be made in the audit committee as well as other committees of the board to comply with the requirements of the code of corporate governance (CCG).

Composition of Board Committees

The board has formed committees comprising of members given below:

Audit Committee

- Mr. Saad Waheed-**Chairman**
- Mr. Ahmed Kuli Khan Khattak- **Member**
- Mr. Gohar Ayub- **Member**

HR and Remuneration Committee

- Mr. Saad Waheed- **Chairman**
- Mr. Raza Kuli Khan Khattak- **Member**
- Mr. Ahmed Kuli Khan Khattak- **Member**

The terms of reference for these committees have been developed, communicated and properly implemented.

The frequency of meetings of the committees were as per following:

- Audit Committee: **Quarterly**
- HR & Remuneration Committee: **Annually**

Performance evaluation of Directors on the Board

The Board of Directors of your company comprises of highly professional individuals, with due representation of female members, along with both executive and non-executive members. All members possess reasonable qualifications, high caliber and rich diversified experience.

Furthermore, they also have in-depth knowledge of business processes and strategic vision. The board has developed and in process of adopting structured criteria and processes to evaluate its own performance, as well as individual performances of every member and their respective contribution towards common objectivity of achieving excellence at every level. Comprehensive questionnaires are developed in this regard to ensure the growth targets of the Company. The responses to these questionnaires are discussed in detail after being complied at different board meetings. The foremost role of the board is to ensure its performance in fulfillment of its fiduciary responsibilities, providing strategic guidance and vision through target setting of the management ultimately complying the statutory requirements relating to policies, international standards and best practices.

While developing respective committees, the Board has established specific roles, guidelines and responsibilities through some terms of references for each committee. The overall performance of the board remained satisfactory.

Director's Training

Executive director is adequately trained to perform his duties and responsibilities under the Companies Act, 2017.

Board meetings and attendance by each director

During the year following meetings were held. The number of meetings attended by each director during the year is given here under:

Director	Board of Directors	Board Audit Committee	HR Committee
Mr. Raza Kuli Khan Khattak	4/4	N/M	1/1
Mr. Ahmed Kuli Khan Khattak	4/4	3/4	1/1
Lt.Gen.(Retd) Ali Kuli Khan Khattak	3/4	3/4	N/M
Mr. Gohar Ayub Khan	4/4	4/4	N/M

MRs. Shahnaz Sijjad Ahmed	4/4	N/M	N/M
Mr.Sikandar Kuli Khan Khattak	4/4	N/M	N/M
Saad Waheed	4/4	3/4	1/1
Major (Retd) Muhammad Zia	4/4	N/M	N/M
Dr. Hamid Zeb Khan	4/4	N/M	N/M

'* N/M – non-member of committee

Leave of absence was granted to the directors who were unable to attend its board meetings.

Remuneration to Directors

Details of remuneration paid to directors of the company during the year are provided in the financial statements. Only meeting fee is paid to non-executive directors. We are also formulating comprehensive policy for it in line with the guidelines provided in Code of Corporate Governance Regulations and Companies Act, 2017.

Health, Safety and Environment

We feel our responsibility towards health and safety of our dedicated employees. Proper first aid medical assistance is provided at dispensary located at our premises in case of any injury. We are trying to establish and maintain best possible health, safety and cleanliness standards both at our premises as well as in nearby localities.

Correspondence with stakeholders

The company's operational and financial results are placed on its official website www.bcm.com.pk, for following accounting periods:

- Quarterly;
- Half-yearly; and
- Annual

Subsequent events

There has been no material financial event took place subsequently to close of the financial year 2017-2018, having any adverse impact over financial position.

Corporate social responsibility

We strongly feel the importance in service to humanity and try to ensure that best possible benefits should pass on to the deserving. We also encourage our strategic team members to dedicate their time for active participation in such activities.

Comments on "QUALIFICATION" in the Auditor's Report

Our statutory auditors have given qualified opinion in their Auditor's report over financial statements on the grounds that they are not in agreement with certain presumptions and estimates used in calculation for recoverable amounts in our investments in Associated company namely Janana de Malucho Textile Mills Ltd. (JDM).

Our management comments are as follows:

We are of the view that estimates and assumptions used during the year are compatible with the market conditions. The management is quite confident about the basis used and concluded that the carrying values of investment in Associated Company do not exceed the recoverable amount. However the Board of Directors is also considering engaging the services of an Independent Valuer to conduct the valuation of this Investment.

Comments on "EMPHASIS OF MATTER PARAGRAPH" in the Auditor's Report

The GIDC issue has been currently challenged in the Peshawar High Court (PHC) as well as the Honorable Supreme Court of Pakistan. The PHC has granted us a stay order against recovery of GIDC which is in force. The legal counsel hired by APTMA has informed that our grounds of appeals in this case are quite strong and valid enough. We are, therefore, hopeful that the decision of the Courts will be in favor of the Industry. The High Court and Honorable Supreme Court of Pakistan in our earlier appeals have already declared the GIDC Act, 2011 and GIDC Ordinance, 2014 as an un-constitutional and we are of the considered opinion that GIDC Act, 2015 will also be struck down by the learned courts.

Status of Financial Facilities

The company has fulfilled all its financial commitments during the year under review and subsequently as well.

Key Operating and Financial Data (Six Years Summary)

Summarized key operating and financial results for last six years is annexed in the financial statements.

Key Operating and Financial Data (Six Years Summary)

Summarized key operating and financial results for last six years is annexed in the financial statements.

Pattern of Shareholding

The statement of pattern of shareholding of the company as at June 30, 2018 is enclosed.

Future Prospects

We wish to remain optimistic about anticipated business-friendly policies of the newly elected setup, but keeping in view the high volatility in following input costs parameters, we expect the substantial increase in cost of doing business:

- Sui gas tariff increase;
- WAPDA cost per unit escalation;
- Minimum wage increase;
- Inadmissibility of input sales tax on packing material

There is strong anticipation of reduced cotton crop production at domestic level, pushing trading prices towards higher end. Further, international cotton prices are also on increasing trend. Bail-out package with IMF is also on cards of new government. All these potential impacts will be monitored by us closely and we shall try to hedge possible uncertainties by acquiring an efficient raw material blend costs, along with best possible efficiencies of our workforce and machinery setup. Though the prevailing environments are not favorable but even then the management is putting its best efforts for substantial reduction in our input costs, thereby improving the gross margins and contributing towards positive bottom line results. Despite of these problems, our company has great potential for improvement due to its lower debt structure and comparatively lower conversion costs. The management is hopeful that through cost-reduction plans in both production and service departments, we will be able to sail through this catastrophic period and improve our financial position in upcoming months

We have initiated implementation of our CAPEX/ BMR plan of Rs.200 Million to upgrade our machinery setup, which will lead to better quality and enhancement of existing yarn production levels. New machineries include Ring frames, carding machine, Simplex roving frames, Auto cone winder, Combers/ lap-formers, Compressors, Compact attachment for ring frames, Inverters and Drawing frame.

Company's Contribution towards Government and Social Sector

We would like to give here under our company's revenue contribution toward the government sector, bank and social sector during the year ended 30-06-2018.

1.	**Government Sector**		**Rs. In Million**
	(i)	Income tax & sales tax	33.623
	(ii)	Power & Fuel	193.761
	(iii)	Financial institution/Banks	45.081
2.	**Social Sector**		
	Employees/Workers salaries/Wages and other benefits		331.793

We have provided an employment to 1,104 permanent workers on an average during the financial year. 1,104 families with an average 5 family members (in the most affected area of KPK province) the employment cost comes to approx. Rs.332 million.

Appointment of Auditors

The company's present auditors M/s Shinewing Hameed Chaudhri & Co., Chartered Accountants H.M House 7-bank square Lahore, retire and are eligible, to offer themselves for reappointment. The Board and Board Audit Committee have recommended that the retiring auditors be re-appointed until the conclusion of the next Annual General meeting.

Acknowledgement

The board places on record its appreciation for the continued support extended to us by our customers, suppliers, bankers and other stake holders. The valuable services rendered by our work force and management in achieving the best possible operating and financial results, are also gratefully acknowledged.

on behalf of the Board of Directors

Gohar Ayub Khan

Director

on behalf of the Board of Directors

Raza Kuli Khan

Raza Kuli Khan Khattak

Chief Executive Officer

BABRI COTTON MILLS LIMITED

SUMMARY OF KEY OPERATING AND FINANCIAL DATA

		2012	2013	2014	2015	2016	2017	2018
CAPACITY AND PRODUCTION								
Spindles installed	Nos	53,040	53,040	53,040	53,040	53,040	53,040	50,160
Average spindles worked during the year	Nos	52,103	51,690	51,905	50,777	49,598	49,566	49,212
Production for the year/period	Lbs in million	9.341	9.970	10.372	10.447	8.995	9.418	8.497
Average count spun during the year/period		53.66	51.11	51.30	49.08	56.38	54.51	58.86
PROFIT AND LOSS ACCOUNT								
Net Sales	Rupees in	1,663,021	2,064,442	1,927,396	1,757,969	1,444,247	1,649,638	1,890,012
Gross Profit / (Loss)	Rupees in	177,873	450,017	233,713	(6,285)	31,481	55,098	(33,522)
	%	10.69	21.80	12.13	(0.36)	2.18	3.34	(1.77)
Operating Profit / (Loss)	Rupees in	115,641	331,442	142,465	(76,329)	(23,351)	(22,863)	(112,759)
	%	6.95	16.05	7.39	(4.34)	(1.62)	(1.39)	(5.97)
Profit / (Loss) before taxation	Rupees in	61,963	302,336	113,915	(123,803)	(50,769)	(47,519)	(157,840)
	%	3.72	14.64	5.91	(7.04)	(3.52)	(2.88)	(8.35)
Profit / (Loss) after taxation	Rupees in million	88,036	215,388	82,020	(84,199)	(12,472)	(28,989)	(138,936)
	%	5.29	10.43	4.26	(4.79)	(0.86)	(1.76)	(7.35)
Earning/ (loss) per share restated	Rupees	24.11	58.98	22.46	(23.43)	(3.41)	(8.02)	(38.04)
BALANCE SHEET								
Shareholders' equity (excluding surplus on revaluation of fixed assets	Rupees in million	359,854	591,666	673,113	607,039	776,860	765,188	915,635
Term finance certificates	- do -	44,714	35,301	16,474	-	-	-	-
Demand finances/ bills payable	- do -	183,168	54,422	23,323	-	-	-	-
Liabilties against assets subject to finance lease	- do -	43,032	21,516	-	50,386	33,052	13,824	-
Operating fixed assets	- do -	1,344,558	1,305,295	1,374,837	1,350,262	1,557,748	1,522,610	1,584,212
Additions in fixed assets	- do -	49,024	12,264	120,706	37,328	49,038	24,319	89,842
Current assets	- do -	391,668	437,584	698,576	407,179	457,202	723,756	815,533
Current liabilties	do	329,883	299,397	571,684	346,710	467,523	773,625	1,037,531
Others								
Break up value per share	Rupees	98.53	161.84	184.31	166.21	166.31	164.71	374.79
Employees at year end	Nos.	965	1,110	1,285	1,195	1,190	1,201	1,091

Pattern of Shareholding
As At June 30, 2018

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1,020	1	100	25,120	0.69
367	101	500	84,539	2.31
86	501	1,000	61,879	1.69
85	1,001	5,000	170,767	4.68
14	5,001	10,000	87,593	2.40
4	10,001	15,000	54,810	1.50
2	15,001	20,000	36,213	0.99
2	20,001	25,000	41,652	1.14
1	25,001	30,000	29,052	0.80
1	40,001	45,000	40,576	1.11
1	55,001	60,000	57,638	1.58
1	80,001	85,000	80,578	2.21
1	140,001	145,000	144,421	3.95
1	585,001	590,000	587,493	16.09
1	870,001	875,000	872,600	23.89
1	1,275,001	1,280,000	1,277,247	34.97
1,588			**3,652,178**	**100.00**

* Note: There is no shareholding in the slab not mentioned

Categories of Shareholders	No. of Shares Held	Percentage
Directors, Chief Executive Officer and their spouses and minor children	45,825	1.25
Associated Companies, Undertakings and Related Parties	2,066,799	56.59
NIT & ICP	82,062	2.25
Banks, Development Finance Institutions, Non- Banking Financial Institutions	3,089	0.08
Insurance Companies	57	0.00
Modarabas & Mutual Funds	1,150	0.03
General Public (Local)	1,428,876	39.12
Other Companies	22,592	0.62
Administrator Abandoned Properties	1,728	0.05
	3,652,178	**100.00**

CATEGORIES OF SHAREHOLDER'S
AS AT JUNE 30, 2018

SR #	CATEGORIES OF SHAREHOLDERS		SHARES HELD	PERCENTAGE
1	**Directors, CEO and their spouses and minor children**			
	Mr. Raza Kuli Khan Khattak	(Chief Executive)	13,982	0.383
	Mr. Ahmed Kuli Khan Khattak	(Director)	13,981	0.383
	Mr. Gohar Ayub Khan	(Director)	2,960	0.081
	Mrs. Shahnaz Sajjad Ahmad	(Chairperson)	6,992	0.191
	Dr. Hamid Zeb	(Director)	918	0.025
	Mr. Sikandar Kuli Khan Khattak	(Director)	-	-
	Dr. Shaheen Kuli Khan Khattak	(Director)	6,992	0.191
	Major (Retd.) Muhammad Zia	(Director)	-	-
	Mr. Saad Waheed	(Director)	-	-
			-	-
2	**Associated Companies, Undertaking and Related Parties**			
	Bannu Woollen Mills Limited		144,421	3.954
	Bibojee Services (Pvt) Limited		1,277,247	34.972
	Janana De Malucho Textile Mills Limited		587,493	16.086
	Waqf-e-Kuli Khan		57,638	1.578
3	**NIT & ICP**			
	Investment Corporation of Pakistan		1,291	0.035

	CDC- Trustee National Investment (Unit) Trust	80,578	2.206
	IDBP (ICP UNIT)	193	0.005
4	**Banks, Development Financial Institutions, Non Banking**		
	Finance Institutions	3,089	0.085
5	***Insurance* Companies**		
	The New Jubilee Insurance Co Ltd	57	0.002
6	**Modarabas & Mutual Funds**		
	First UDL Modaraba	1,150	0.031
7	**General Public (Local)**	1,428,876	39.124
8	**Others Companies**	22,592	0.62
9	**Administrator Abandoned Properties**	1,728	0.047
		3,652,178	**100.00**
10	SHAREHOLDERS HOLDING 05% OR MORE		
	Bibojee Services (Pvt) Limited	1,277,247	34.972
	Janana De Malucho Textile Mills Limited	587,493	16.086
	Mr. Sameer Randhawa	872,600	23.893

Statement of Compliance with Listed Companies
(Code of Corporate Governance) Regulations, 2017

BABRI COTTON MILLS LIMITED FOR THE YEAR ENDED JUNE 30, 2018

Babri Cotton Mills Limited (the Company) has complied with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) in the following manner:

1. The total number of directors are nine as per the following:
   a) Male 7
   b) Female 2
2. The composition of the Board of Directors (the Board) is as follows:

   Independent Director None

   Other Non-executive Directors

   a) Mr. Ahmed Kuli Khan Khattak
   b) Mr. Gohar Ayub Khan
   c) Mrs. Shahnaz Sajjad Ahmed
   d) Dr. Shaheen Kuli Khan Khattak
   e) Mr. Saad Waheed
   f) Major (Retd.) Muhammad Zia
   g) Dr. Hamid Zeb Khan

   Executive Directors

   a) Mr. Raza Kuli Khan Khattak
   b) Mr. Sikandar Kuli Khan Khattak
3. During the previous election of directors, none of the directors possessed criteria for an independent director. Further, no independent shareholder came forward to contest the election as a director. Hence the shareholders of the Company were unable to elect / appoint an independent director. The Company's management, however, is fully committed and planning to appoint an independent director in the foreseeable future, so that due representation could be made in the audit committee as well as other committees of the Board to comply with the requirements of the Regulations.
4. One of the director is currently serving as a director on the Board of more than five listed companies, including this Company.
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 relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.

8. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.

9. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

10. The Board, during the year, has arranged Directors' training program for its director Mr. Sikandar Kuli Khan Khattak.

11. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

12. CFO and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

13. The Board has formed committees comprising of members given below:

Audit Committee

a)	Mr. Saad Waheed	**Chairman**
b)	Mr. Ahmed Kuli Khan Khattak	**Member**
c)	Mr. Gohar Ayub Khan	**Member**

Human Resource and Remuneration Committee

a)	Mr. Saad Waheed	**Chairman**
b)	Mr. Raza Kuli Khan Khattak	**Member**
c)	Mr. Ahmed Kuli Khan Khattak	**Member**

14. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

15. The frequency of meetings of the committees were as per following:

- **a)** Audit Committee — **Quarterly**
- **b)** Human Resource and Remuneration Committee — **Yearly**

16. The Board has set up an effective internal audit department, which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and are registered with Audit Oversight Board of Pakistan, 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.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirements and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. We confirm that all other requirements of the Regulations have been complied with.

MRS. SHAHNAZ SAJJAD AHMED
Chair person

INDEPENDENT AUDITORS' MODIFIED REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **BABRI COTTON MILLS LIMITED** (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instance of non-compliance with the requirements of the Regulations was observed, which has not been stated in the Statement of Compliance:

No member of the Board Audit Committee meets the requirement prescribed by clause 28(c) of the Regulations.

Based on our review, except for the above instance of non-compliance, 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Further, we highlight below an instance of non-compliance with the requirements of the Regulations as reflected in note 3 where it is stated in the Statement of Compliance:

Board of Directors of the Company was unable to appoint an independent director, resultantly, the Board did not include an independent director and consequently, Chairman of the Board Audit Committee and Human Resource & Remuneration Committee was not an independent director.

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Osman Hameed Chaudhri

LAHORE;

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BABRI COTTON MILLS LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

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

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, 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 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 loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

The management has carried-out impairment testing of its Investment in an Associated Company by calculating its recoverable amount using value-in-use method. In applying the said method, the management has made certain estimates and used certain assumptions with which we do not concur. Refer note 8.4 to the financial statements.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 28.1 to the financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.422.512 million. Our report is not qualified in respect of this matter.

Key Audit Matters

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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	**Compliance with laws and regulations**	
	The Companies Act, 2017 (the Act) was promulgated on May 30, 2017, which replaced the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statements by elimination of duplicative disclosures with IFRS disclosure requirements and incorporation of significant additional disclosures. These changes are applicable first time to the Company's financial statements for the year ended June 30, 2018.	We performed following audit procedures: - Obtained an understanding of the related provisions and schedules of the Act, applicable to the Company and prepared documents to assess the Company's compliance with the disclosure requirements of the Act. - Discussed the applicable changes with the Company's management and those charged with governance as to whether the Company was in compliance with such changes.
	The changes are considered as a key audit matter as failure to comply with the requirements of the Act could have financial impact on the Company.	- Maintained a high level of vigilance when carrying-out our other audit procedures for identification of any non-compliance.
	Refer notes 2, 6, 7.4, 8, 9, 19 and 45 for changes in disclosures made through the Act.	- Ensured that the financial statements have been prepared in accordance with the approved accounting standards and the Act.
2.	**Contingencies**	
	The Company is subject to litigations involving different courts pertaining to Gas Infrastructure Development Cess and taxation, which require management to make assessment and judgements with respect to likelihood and impact of such litigations.	- In response to this matter, our audit procedures included: - Discussing legal cases with the legal department to understand the management's view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances.
	Management has engaged independent legal counsel on these matters.	- Obtaining independent opinion of legal advisors dealing with such cases in the form of confirmations.
	The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgements required to determine the level of certainty on these matters.	- We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets.
	The details of contingencies along with management's assessment and the related provisions are disclosed in notes 27 and 28 to the financial statements.	- The disclosures of legal exposures and provisions were assessed for completeness and accuracy.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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 is responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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.

Praxity

- 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 auditors' 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 upto the date of our auditors' 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 year and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Mr. Osman Hameed Chaudhri.

LAHORE;

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

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BABRI COTTON MILLS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Note	2018	(Re-stated) 2017	(Re-stated) July 01, 2016
ASSETS		----- Rupees in thousand -----		
Non-current assets				
Property, plant and equipment	7	1,584,212	1,522,610	1,557,748
Investments in an Associated Company	8	236,325	242,631	243,020
Long term loans	9	535	603	477
Security deposits		1,109	1,033	1,033
		1,822,181	1,766,877	1,802,278
Current assets				
Stores, spares and loose tools	10	39,566	26,051	17,196
Stock-in-trade	11	672,394	614,915	379,057
Trade debts	12	369	285	108
Loans and advances	13	8,671	5,052	6,177
Prepayments		1,837	913	891
Other receivables	14	4,710	4,916	2,417
Sales tax refundable		34,545	25,599	10,614
Income tax refundable, advance tax and tax deducted at source		45,298	45,548	40,199
Cash and bank balances	15	8,143	477	543
		815,533	723,756	457,202
TOTAL ASSETS		2,637,714	2,490,633	2,259,480
EQUITY AND LIABILITIES				
Equity				
Authorised capital	16	250,000	250,000	250,000
Issued, subscribed and paid-up capital	17	36,522	36,522	36,522
Capital reserves				
- share premium	18	15,096	15,096	15,096
- revaluation surplus on property, plant and equipment	19	915,635	932,265	945,247
Revenue reserves				
- general reserve	18	88,000	88,000	88,000
- gain on remeasurement of forward foreign exchange contracts	18	2,245	2,355	2,471
- unappropriated profit		311,253	441,252	445,311
Shareholders' equity		1,368,751	1,515,490	1,532,647
Deferred income	26.1	0	2,100	5,698
Liabilities				
Non-current liabilities				
Long term finances	20	70,096	0	0
Liabilities against assets subject to finance lease		0	0	13,841
Staff retirement benefits - gratuity	21	78,326	69,140	73,104
Deferred taxation	22	83,010	132,378	166,767
		231,432	201,518	253,712
Current liabilities				
Trade and other payables	23	272,552	171,230	132,504
Unclaimed dividends		2,431	2,431	2,431
Accrued interest / mark-up	24	15,326	8,792	6,143
Short term finances	25	726,128	561,030	296,903
Current portion of non-current liabilities	26	3,644	13,824	19,211
Taxation	27	17,450	14,218	10,231
		1,037,531	771,525	467,423
Total liabilities		1,268,963	973,043	721,135
Contingencies and commitments	28			
TOTAL EQUITY AND LIABILITIES		2,637,714	2,490,633	2,259,480

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

Razak Khan

SHC

Chief Executive	Director	Chief Financial Officer

BABRI COTTON MILLS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	Re-stated 2017
		(Rupees in thousand)	
Sales	29	1,890,012	1,649,638
Cost of Sales	30	1,923,534	1,594,540
Gross (Loss) / Profit		(33,522)	55,098
Distribution Cost	31	14,173	12,366
Administrative Expenses	32	68,052	71,340
Other Expenses	33	4,268	0
Other Income	34	(7,256)	(5,745)
		79,237	77,961
Loss from Operations		(112,759)	(22,863)
Finance Cost	35	45,081	24,656
		(157,840)	(47,519)
Share of Loss of an Associated Company	8	(4,710)	(602)
Loss before Taxation		(162,550)	(48,121)
Taxation	36	(23,614)	(18,825)
Loss after Taxation		(138,936)	(29,296)
Other Comprehensive (Loss) / Income			
Items that will not be reclassified to profit or loss:			
- (loss) / gain on remeasurement of staff retirement benefit obligation (net of deferred tax)	21	(10,225)	7,213
- share of other comprehensive (loss) / income of an Associated Company (net of taxation)	8	(1,145)	9
		(11,370)	7,222
Total Comprehensive Loss		(150,306)	(22,074)
		--------- Rupees ---------	
Loss per Share	37	(38.04)	(8.02)

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

Rajakul.Kha

Chief Executive

Director

Chief Financial Officer

SHC

BABRI COTTON MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Cash flow from operating activities			
Loss for the year - before taxation and share of loss of an Associated Company		(157,840)	(47,519)
Adjustments for non-cash charges and other items:			
Depreciation		60,061	62,633
Loss on disposal of fixed assets		4,148	0
Deferred income credited		(2,100)	(3,598)
Unclaimed payable balances written-back		0	(93)
Amortisation of gain on forward foreign exchange contracts		(110)	(116)
Staff retirement benefits - gratuity (net)		(5,215)	6,340
Finance cost		43,893	24,417
(Loss) / profit before working capital changes		(57,163)	42,064
Effect on cash flow due to working capital changes			
Decrease / (increase) in current assets:			
Stores, spares and loose tools		(13,515)	(8,855)
Stock-in-trade		(57,479)	(235,858)
Trade debts		(84)	(177)
Loans and advances		(3,619)	1,125
Prepayments		(924)	(22)
Other receivables		206	(2,499)
Sales tax refundable		(8,946)	(14,985)
Increase in trade and other payables		101,322	38,819
		16,961	(222,452)
Cash used in operations		(40,202)	(180,388)
Taxes paid		(13,968)	(15,614)
Long term loans - net		68	(126)
Net cash used in operating activities		(54,102)	(196,128)
Cash flow from investing activities			
Fixed capital expenditure - net		(132,870)	(27,495)
Sale proceeds of operating fixed assets		7,059	0
Security deposits		(76)	0
Dividend received		0	426
Net cash used in investing activities		(125,887)	(27,069)
Cash flow from financing activities			
Long term finances		73,740	0
Lease finances - net		(13,824)	(19,228)
Short term finances - net		165,098	264,127
Finance cost paid		(37,359)	(21,768)
Net cash generated from financing activities	46	187,655	223,131
Net increase / (decrease) in cash and cash equivalents		7,666	(66)
Cash and cash equivalents - at beginning of the year		477	543
Cash and cash equivalents - at end of the year		8,143	477

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

Raza Kuli Khan

Chief Executive | **Director** | **Chief Financial Officer**

SHC

BABRI COTTON MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

		Capital Reserves		Revenue Reserves			
	Share capital	Share premium reserve	Revaluation surplus on property, plant and equipment	General reserve	Gain on hedging instruments	Unappropriated profit	Total
	------------------	------------------	Rupees in thousand	------------------			
Balance as at July 01, 2016	36,522	15,096	0	88,000	2,471	465,300	607,389
Impact of re-statement (note 6)	0	0	945,247	0	0	(19,989)	925,258
Balance as at July 01, 2016 - re-stated	36,522	15,096	945,247	88,000	2,471	445,311	1,532,647
Total comprehensive loss for the year ended June 30, 2017:							
- loss for the year	0	0	0	0	0	(29,296)	(29,296)
- other comprehensive income	0	0	0	0	0	7,222	7,222
	0	0	0	0	0	(22,074)	(22,074)
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	(116)	0	(116)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year (net of deferred taxation)	0	0	(16,075)	0	0	16,075	0
Resultant adjustment due to reduction in tax rate	0	0	4,403	0	0	0	4,403
Share of revaluation surplus on property, plant and equipment of an Associated Company	0	0	(1,310)	0	0	0	(1,310)
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	1,940	1,940
Balance as at June 30, 2017 - re-stated	36,522	15,096	932,265	88,000	2,355	441,252	1,515,490
Total comprehensive loss for the year ended June 30, 2018:							
- loss for the year	0	0	0	0	0	(138,936)	(138,936)
- other comprehensive loss	0	0	0	0	0	(11,370)	(11,370)
	0	0	0	0	0	(150,306)	(150,306)
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	(110)	0	(110)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation)							
- on account of incremental depreciation for the year	0	0	(15,335)	0	0	15,335	0
- upon sale of revalued plant and machinery	0	0	(3,906)	0	0	3,906	0
Resultant adjustment due to reduction in tax rate	0	0	4,128	0	0	0	4,128
Share of revaluation surplus on property, plant and equipment of an Associated Company	0	0	(1,517)	0	0	0	(1,517)
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	1,066	1,066
Balance as at June 30, 2018	36,522	15,096	915,635	88,000	2,245	311,253	1,368,751

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

Chief Executive | Director | Chief Financial Officer

SHC

1. LEGAL STATUS AND OPERATIONS

Babri Cotton Mills Limited (the Company) was incorporated in Pakistan on October 26, 1970 as a Public Company under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Ltd. The Company is principally engaged in manufacture and sale of yarn. The Company's registered office and Mills are located at Habibabad, Kohat.

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

(a) The Company during the year has obtained long term finances from The Bank of Khyber as detailed in note 20.

(b) The lease finance facilities obtained from Saudi Pak Industrial and Agricultural Investment Company Limited have been fully repaid during the year and leased assets have been transferred to owned assets.

(c) Due to applicability of the Companies Act, 2017 to the financial statements of the Company, amounts reported for the previous years have been restated. For detailed information please refer to note 6.

(d) For a detailed discussion about the Company's performance please refer to the annexed Directors' report.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

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

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

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain items as disclosed in the relevant accounting policies below.

3.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee, which is the Company's functional and presentation currency. Amounts presented in the financial statements have been rounded off to the nearest thousand unless otherwise stated.

3.4 Key judgements and estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of property, plant and equipment - notes 5.1 & 7.1
- Provision for impairment of inventories - notes 5.4, 5.5, 10 & 11
- Impairment loss of non-financial assets other than inventories - note 5.8
- Provision for doubtful trade receivables - note 5.6
- Obligation of defined benefit obligation - notes 5.10 & 21
- Estimation of provisions - note 5.12
- Estimation of contingent liabilities - notes 5.13 & 28
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - notes 5.14, 22 & 27

The revisions to accounting estimates, if any, are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

4.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

(a) International Accounting Standard ('IAS') 7, 'Cash flow statements: Disclosure initiative' is applicable to accounting periods beginning on or after January 01, 2017. This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The amendments have only resulted in some additional disclosures in the Company's financial statements.

(b) IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The amendment does not have any impact on the Company's financial statements.

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

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

(a) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 01, 2018. This standard has been notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods beginning on or after July 01, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company is yet to assess the full impact of this standard on its financial statements.

(b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 01, 2018. This standard has been notified by the SECP to be effective for annual periods beginning on or after July 01, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The Company is yet to assess the full impact of this standard on its financial statements.

(c) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 01, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Company is yet to assess the full impact of this standard on its financial statements.

(d) IFRIC 23, 'Uncertainty over income tax treatments' is applicable to accounting periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of this interpretation on its financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes as indicated below in note 6.

5.1 Property, plant and equipment

Measurement

Items of property, plant and equipment other than freehold land, buildings on freehold land, plant & machinery, generators and capital work-in-progress are measured at cost less accumulated depreciation and impairment loss, if any.

Freehold land is stated at revalued amount whereas buildings on freehold land, plant & machinery and generators are stated at revalued amounts less accumulated depreciation and any identified impairment loss. Cost of some items of plant & machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant & machinery, acquired out of the proceeds of such borrowings.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Revaluation

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to retained earnings.

Depreciation

Depreciation is charged so as to write-off the cost or revalued amount of assets (other than freehold land and capital work-in-progress) over their remaining useful lives, using the reducing balance method at rates specified in note 7.1 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Disposal

Gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in other income in the statement of profit or loss. In case of the sale or retirement of a revalued property, plant and equipment, the attributable revaluation surplus remaining in the revaluation surplus on property, plant and equipment is transferred directly to unappropriated profit.

Judgment and estimates

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any change in estimates is accounted for on a prospective basis.

5.2 Assets subject to finance lease

Lease where the Company has substantially all the risks and rewards of ownership is classified as finance lease. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of rental is taken to statement of profit or loss over the lease term.

Depreciation on assets subject to finance lease is charged to income at the rates stated in note 7.1 applying reducing balance method to write-off cost of the assets over their estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed-off.

Finance cost and depreciation on leased assets are taken to statement of profit or loss currently.

5.3 Investments in Associated Companies

Investments in Associated Companies are accounted for by using equity basis of accounting, under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of profit or loss of the Associated Companies after the date of acquisition. The Company's share of profit or loss of the Associated Companies is recognised in the Company's profit or loss. Distributions received from Associated Companies reduce the carrying amount of investments. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the Associated Companies arising from changes in the Associated Companies' equity that have not been recognised in the Associated Companies' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

The carrying amount of investments is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit or loss.

5.4 Stores, spares and loose tools

Stores, spares and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the statement of financial position date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

5.5 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials	
- at mills	- At lower of annual average cost and net realisable value.
- in transit	- At cost accumulated to the statement of financial position date
Work-in-process	- At cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At net realisable value.

- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

Judgments and estimates

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines.

5.6 Trade debts and other receivables

Measurement

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any.

Impairment

A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the trade debts and other receivables. The amount of the provision is recognised in the statement of profit or loss. Bad debts are written-off in the statement of profit or loss on identification.

Judgments and estimates

The allowance for doubtful debts of the Company is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer.

5.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash-in-hand and balances with banks.

5.8 Impairment of non-financial assets other than inventories

The assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognised in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. The Company recognises the reversal immediately in the statement of profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

5.9 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

5.10 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2018 on the basis of the projected unit credit method by an independent Actuary.

Actuarial gains and losses are recognised in other comprehensive income in the period in which these occur and past-service costs are recognised immediately in the statement of profit or loss.

5.11 Trade and other payables

Trade and other payables are initially measured at cost, which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

5.12 Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

5.13 Contingent liabilities

A contingent liability is disclosed when the Company

- has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or
- has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.14 Taxation

Taxation comprises of current tax and deferred tax.

Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, if any, in which case the tax amounts are recognised directly in other comprehensive income or equity.

(a) Current

Current tax is the expected tax payable on the taxable income / turnover for the year; calculated using rates enacted or substantively enacted by the end of the reporting period. The calculation of current tax takes into account tax credits and tax rebates, if any, and is inclusive of any adjustment to income tax payable or recoverable in respect of previous years.

(b) Deferred

The Company accounts for deferred taxation using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the profit or loss except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority.

5.15 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

5.16 Derivative financial instruments

In relation to fair value hedges, which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instruments at fair value is recognised immediately in the statement of profit or loss. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the statement of profit or loss.

In relation to cash flow hedges, if a hedge of a forecast transaction which subsequently results in the recognition of a non-financial asset, the associated gains and losses (that were recognised directly in equity) are taken to statement of profit or loss in the same period during which the asset acquired effects the profit or loss.

5.17 Financial instruments

(a) Initial recognition

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it.

(b) Derecognition of financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Financial instruments include security deposits, trade debts, other receivables, bank balances, long term finances, lease finances, trade & other payables, unclaimed dividends, accrued mark-up and short term finances. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.18 Off-setting of financial assets and liabilities

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

5.19 Foreign currency transactions

Foreign currency transactions are recorded in Pakistan Rupees using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated in Pakistan Rupees at the rates of exchange prevailing at the reporting date. Exchange gains and losses are taken to statement of profit or loss.

5.20 Revenue recognition

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

- sales are recorded on dispatch of goods.
- return on deposits is accounted for on 'accrual basis'.
- dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

5.21 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 43 to these financial statements.

6. CHANGE IN ACCOUNTING POLICY

Section 235 (Treatment of surplus arising out of revaluation of fixed assets) of the repealed Companies Ordinance, 1984 has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, plant and equipment, surplus on revaluation of fixed assets will now be presented under equity.

Following the application of IAS 16, the Company's policy for surplus on revaluation of property, plant and equipment stands amended as follows:

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset' s original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to retained earnings.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

	As at June 30, 2017			As at June 30, 2016		
	As previously reported	Restate-ment	As restated	As previously reported	Restate-ment	As restated
	---------- Rupees in thousand ----------					
Effect on statement of financial position						
Investments in an Associated Company	75,526	167,105	242,631	74,873	168,147	243,020
Surplus on revaluation of property, plant and equipment	752,058	(752,058)	0	763,234	(763,234)	0
Equity	601,958	913,532	1,515,490	607,389	925,258	1,532,647
Deferred taxation	126,747	5,629	132,376	160,644	6,123	166,767
Effect on statement of changes in equity						
Capital reserve	15,096	932,265	947,361	15,096	945,247	960,343
Unappropriated profit	459,985	(18,733)	441,252	465,300	(19,989)	445,311
Effect on statement of profit or loss						
Taxation	(18,520)	(305)	(18,825)	-	-	-

There was no effect on statement of cash flows due to the retrospective application of change in accounting policy.

7. PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
		(Rupees in thousand)	
Operating fixed assets	7.1	1,535,925	1,517,351
Capital work-in-progress - plant and machinery	7.7	48,287	5,259
		1,584,212	1,522,610

7.1 Operating fixed assets

	Owned															Leased		
	Freehold land	Roads, paths and culverts on freehold land	Buildings on freehold land: Factory	Buildings on freehold land: Non-factory	Buildings on freehold land: Residential: officers	Buildings on freehold land: Residential: workers	Plant & machinery	Generators	Tools & equipment	Furniture & fixtures	Office equipment	Computers and accessories	Security & surveillance	Arms	Vehicles	Plant & machinery	Generators	Total
	Rupees in thousand																	
As at June 30, 2016																		
Cost / revaluation	460,600	120	193,236	22,963	1,011	14,637	803,462	122,941	2,465	4,224	717	1,993	1,367	144	19,617	30,000	40,000	1,719,497
Accumulated depreciation	0	105	0	0	122	4,621	96,824	44,810	1,287	1,773	267	754	141	38	10,549	1,089	1,452	163,832
Book value	460,600	15	193,236	22,963	889	10,016	706,638	78,131	1,178	2,451	450	1,239	1,226	106	9,068	28,911	38,548	1,555,665
Year ended June 30, 2017:																		
Additions	0	0	0	0	0	0	22,653	846	0	79	276	465	0	0	0	0	0	24,319
Depreciation for the year	0	1	9,662	1,148	44	501	35,727	7,890	59	123	24	273	61	5	1,814	1,446	3,855	62,633
Book value	460,600	14	183,574	21,815	845	9,515	693,564	71,087	1,119	2,407	702	1,431	1,165	101	7,254	27,465	34,693	1,517,351
Year ended June 30, 2018:																		
Additions	0	0	0	0	0	5,259	68,305	9,594	0	0	0	0	0	0	6,684	0	0	89,842
Disposals:																		
Cost	0	0	0	0	0	0	(10,718)	0	0	(17)	0	0	0	0	(3,412)	0	0	(14,147)
Depreciation	0	0	0	0	0	0	677	0	0	6	0	0	0	0	2,257	0	0	2,940
Transfers from leased to owned:																		
Cost	0	0	0	0	0	0	30,000	40,000	0	0	0	0	0	0	0	(30,000)	(40,000)	0
Depreciation	0	0	0	0	0	0	(3,336)	(7,331)	0	0	0	0	0	0	0	3,336	7,331	0
Depreciation for the year	0	0	9,179	1,091	42	674	35,517	8,795	56	120	35	286	58	5	1,378	801	2,024	60,061
Book value	460,600	14	174,395	20,724	803	14,100	742,975	104,555	1,063	2,276	667	1,145	1,107	96	11,405	0	0	1,535,925
As at June 30, 2017																		
Cost / revaluation	460,600	120	193,236	22,963	1,011	14,637	826,115	123,787	2,465	4,303	993	2,458	1,367	144	19,617	30,000	40,000	1,743,816
Accumulated depreciation	0	106	9,662	1,148	166	5,122	132,551	52,700	1,346	1,896	291	1,027	202	43	12,363	2,535	5,307	226,465
Book value	460,600	14	183,574	21,815	845	9,515	693,564	71,087	1,119	2,407	702	1,431	1,165	101	7,254	27,465	34,693	1,517,351
As at June 30, 2018																		
Cost / revaluation	460,600	120	193,236	22,963	1,011	19,896	913,702	173,381	2,465	4,286	993	2,458	1,367	144	22,889	0	0	1,819,511
Accumulated depreciation	0	106	18,841	2,239	208	5,796	170,727	68,826	1,402	2,010	326	1,313	260	48	11,484	0	0	283,586
Book value	460,600	14	174,395	20,724	803	14,100	742,975	104,555	1,063	2,276	667	1,145	1,107	96	11,405	0	0	1,535,925
Depreciation rate (%)		5	5	5	5	5	5	10	5	5	5	20	5	5	20	5	10	

7.2 Freehold land represents 715,904 square feet of land situated at Habibabad Kohat out of which approximately 333,430 square feet represent covered area.

7.3 Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	2018	Re-stated 2017
	(Rupees in thousand)	
Owned		
- freehold land	**3,642**	3,642
- buildings on freehold land	**60,860**	58,737
- plant & machinery	**481,150**	413,940
- generators	**102,701**	90,834
Leased		
- plant & machinery	**0**	25,834
- generators	**0**	32,633
	648,353	625,620

7.4 Based on the revaluation report as at June 30, 2016 the forced sale values of the revalued items of property, plant and equipment have been assessed by management as follows:

Freehold land	**368,480**
Buildings on freehold land	**181,683**
Plant & machinery	
- owned	**627,815**
- leased	**53,967**
	1,231,945

7.5 **Depreciation for the year has been apportioned as under:**

	2018	2017
- cost of sales	**57,797**	59,564
- administrative expenses	**2,264**	3,069
	60,061	62,633

7.6 **Disposal of operating fixed assets**

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	(Loss) / gain	Mode of disposal	Sold to
	----------- Rupees in thousand			-------------			
2018							
Plant & machinery							
SACM card	1,856	115	1,741	1,162	(579)	Negotiation	Abdul Hameed, scrap dealer, Faisalabad.
Ring frame	6,163	381	5,782	1,890	(3,892)	- do -	
SACM simplex	2,008	124	1,884	1,480	(404)	- do -	
Items with net book value less than Rs.500,000	691	57	634	986	352		
	10,718	677	10,041	5,518	(4,523)		
Furniture & fixtures	17	6	11	11	0		
Vehicles							
Motor vehicle	2,062	1,245	817	830	13	Company policy	Ex-employees: Mr.Manzoor Elahi.
Motor vehicle	1,350	1,012	338	700	362	- do -	Mr. Naveed Wazir.
	3,412	2,257	1,155	1,530	375		
	14,147	2,940	11,207	7,059	(4,148)		
2017	0	0	0	0	0		

7.7 Capital work-in-progress

	2018	2017
	(Rupees in thousand)	
Opening balance	**5,259**	2,083
Additions during the year:		
- plant and machinery	**48,287**	0
- residential buildings (workers)	**0**	3,176
	48,287	3,176
Transferred to operating fixed assets during the year	**(5,259)**	0
Balance as at June 30,	**48,287**	5,259

8. INVESTMENTS IN AN ASSOCIATED COMPANY - Quoted

	2018	Re-stated 2017	Re-stated 2016
Janana De Malucho Textile Mills Ltd. (JDM)	------ Rupees in thousand ------		
341,000 (2017: 341,000) ordinary shares of Rs.10 each - cost	**4,030**	4,030	4,030
Equity held: 7.13% (2017: 7.13%)			
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM	**72,590**	72,543	71,764
Share of revaluation surplus on property, plant and equipment	**165,560**	167,077	168,387
Dividend received	**0**	(426)	(511)
Profit / (loss) for the year - net of taxation	**(4,710)**	(602)	679
Share of other comprehensive (loss) / income - net of taxation	**(1,145)**	9	(1,329)
	236,325	242,631	243,020

8.1 Although the Company has less than 20% voting rights in JDM as at June 30, 2018 and 2017, it is presumed that the Company has significant influence over JDM due to majority representation on the board of directors of JDM.

8.2 Market value of the Company's investment in JDM as at June 30, 2018 was Rs.21.868 million (2017: Rs.34.100 million).

8.3 JDM was incorporated in Pakistan in the year 1960 as a Public Company and its shares are quoted on Pakistan Stock Exchange Ltd. It is principally engaged in manufacture and sale of yarn.

The summary of financial information of JDM based on its audited financial statements for the year ended June 30, 2018 is as follows:

Summarised statement of financial position

Non-current assets	**3,545,486**	3,635,420	3,583,772
Current assets	**1,542,192**	1,285,961	869,769
	5,087,678	4,921,381	4,453,541
Non-current liabilities	**261,225**	396,031	433,925
Current liabilities	**1,506,888**	1,120,964	607,450
	1,768,113	1,516,995	1,041,375
Net assets	**3,319,565**	3,404,386	3,412,166

Reconciliation to carrying amount	2018	Re-stated 2017	Re-stated 2016
	Rupees in thousand		
Opening net assets	**3,404,386**	3,412,166	1,044,159
(Loss) / profit for the year	**(74,398)**	(8,444)	9,533
Dividend paid during the year	**0**	(5,981)	(7,177)
Revaluation surplus on property, plant and equipment	**0**	0	2,362,736
Other comprehensive (loss) / income for the year	**(16,068)**	132	(18,650)
Other adjustments	**5,645**	6,513	21,565
Closing net assets	**3,319,565**	3,404,386	3,412,166
Company's share percentage 7.13% (2017: 7.13%)			
Company's share	**236,685**	242,733	243,287
Miscellaneous adjustments	**(360)**	(102)	(267)
Carrying amount of investment	**236,325**	242,631	243,020
Summarised statement of profit or loss			
Sales	**2,782,025**	2,515,643	2,497,962
(Loss) / profit before taxation	**(73,217)**	(21,538)	10,753
(Loss) / profit after taxation	**(74,398)**	(8,444)	9,533

8.4 The management, as at June 30, 2018, has carried out impairment testing of its investment in JDM as required under IAS 36, 'Impairment of assets'. The recoverable amount of investment in JDM amounted Rs.244.357 million. The recoverable amount of investment has been determined using the 'value-in-use' computation. In assessing the value in use, estimated future cash flows have been discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money. The pre-tax discount rate applied to cash flow projections is 7.95%. As a result of the aforementioned impairment testing, the management has concluded that the carrying value of investment in JDM does not exceed its recoverable amount.

8.5 Provisions of section 208 of the repealed Companies Ordinance, 1984, now section 199 of the Companies Act, 2017, were duly complied with for making investments in JDM.

9. LONG TERM LOANS - Secured	Note	2018	2017
		(Rupees in thousand)	
Interest free loans to:			
- related parties - key management persons	9.1	**500**	180
- other employees	9.2	**1,809**	1,374
		2,309	1,554
Less: current portion grouped under current assets		**1,774**	951
		535	603

9.1 The year-end balance is recoverable in monthly instalments ending October, 2019. Maximum aggregate amount of loans at any month-end during the year was Rs.660 thousand (2017: Rs.790 thousand).

9.2 These loans are recoverable in monthly instalments, which vary from employee to employee and are adjustable against the gratuity benefits of the respective employee.

10. STORES, SPARES AND LOOSE TOOLS

	Note	2018	2017
		(Rupees in thousand)	
Stores		**23,512**	8,643
Spares		**16,011**	17,316
Loose tools		**43**	92
		39,566	26,051

11. STOCK-IN-TRADE

	Note	2018	2017
Raw materials:			
- at mills	11.1	**465,036**	318,223
- in transit		**141,222**	52,548
		606,258	370,771
Work-in-process		**39,494**	37,987
Finished goods	11.1 & 11.2	**26,642**	206,157
		672,394	614,915

11.1 Raw material and finished good inventories as at June 30, 2018 are pledged with National Bank of Pakistan (NBP) and The Bank of Khyber (2017: with NBP) as security for short term finance facilities (note 25).

11.2 Finished good inventories as at June 30, 2018 include inventories costing Rs.7.551 million (2017: Rs.199.174 million), which have been stated at net realisable value; the amount charged to statement of profit or loss in respect of inventories write-down to net realisable value worked-out to Rs.1.431 million (2017: Rs.19.691 million) approximately.

12. TRADE DEBTS - Unsecured

	Note	2018	2017
Balance at the year-end		**2,659**	2,575
Less: provision made against doubtful debts		**2,290**	2,290
		369	285

13. LOANS AND ADVANCES

	Note	2018	2017
Current portion of long term loans	9	**1,774**	951
Advances (unsecured - considered good):			
- employees		**3,160**	2,374
- contractors and suppliers		**2,156**	1,727
- against letters of credit		**1,581**	0
		8,671	5,052

14. OTHER RECEIVABLES

These represent import letters of credit weight shortage claims.

15. CASH AND BANK BALANCES

	Note	2018	2017
Cash-in-hand		**58**	109
Cash at banks on:			
- current accounts		**7,399**	206
- dividend accounts		**23**	23
- PLS account	15.1	**538**	18
- PLS security deposit account	15.1	**125**	121
		8,085	368
		8,143	477

15.1 These carry profit at the rates ranging from 2.40% to 2.76% (2017: 2.40% to 2.41%) per annum.

16. AUTHORISED SHARE CAPITAL

2018	2017		2018	2017
---- Numbers ----			(Rupees in thousand)	
17,500,000	17,500,000	Ordinary shares of Rs.10 each	**175,000**	175,000
7,500,000	7,500,000	Redeemable cumulative preference shares of Rs.10 each	**75,000**	75,000
25,000,000	25,000,000		**250,000**	250,000

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
---- Numbers ----				
2,896,000	2,896,000	Ordinary shares of Rs.10 each fully paid in cash	**28,960**	28,960
434,400	434,400	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**4,344**	4,344
321,778	321,778	Ordinary shares of Rs.10 each issued to a Bank by conversion of long term liabilities	**3,218**	3,218
3,652,178	3,652,178		**36,522**	36,522

17.1 Ordinary shares held by the Associated Companies and an Associate at the year-end:

	2018	2017
	---- Numbers----	
Bibojee Services (Pvt.) Ltd.	**1,277,247**	1,277,247
Bannu Woollen Mills Ltd.	**144,421**	144,421
Janana De Malucho Textile Mills Ltd.	**587,493**	587,493
Waqf-e-Kuli Khan	**57,638**	57,638
	2,066,799	2,066,799

18. RESERVES

	Note	2018	2017
		(Rupees in thousand)	
Capital reserve	18.1	**15,096**	15,096
General reserve		**88,000**	88,000
Gain on remeasurement of forward foreign exchange contracts - cash flow hedge		**2,245**	2,355
		105,341	105,451

18.1 This represents share premium received @ Rs.6 per share on 1,000,000 right shares issued by the Company during the financial years ended September 30, 1992 & September 30, 1993 and @ Rs.15 per share on 896,000 ordinary shares issued as otherwise than right in accordance with the provisions of section 86(1) of the repealed Companies Ordinance, 1984 during the financial year ended June 30, 2008. The Company, during the financial year ended June 30, 2011, had issued 434,400 bonus shares out of this reserve. This reserve can be utilised by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

19. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT - Net

	Note	2018	Re-stated 2017	Re-stated 2016
		-------- Rupees in thousand -------		
Revaluation surplus on the Company's property, plant and equipment	19.2	**750,075**	765,188	776,860
Share of revaluation surplus on property, plant and equipment of an Associated Company	8	**165,560**	167,077	168,387
		915,635	932,265	945,247

19.1 The Company had revalued its freehold land on September 30, 1998, September 30, 2004, January 31, 2007, June 27, 2009 and June 30, 2012. Buildings on freehold land, plant & machinery and generators were revalued on September 30, 2004, January 31, 2007 and June 30 2012. These fixed assets were revalued by Independent Valuers on the basis of market value / depreciated market values and resulted in revaluation surplus aggregating Rs.808.690 million.

19.2 The Company, as at June 30, 2016, has again revalued its freehold land, buildings on freehold land, owned and leased plant & machinery and generators. The latest revaluation exercise has been carried-out by independent Valuers - M/s Hamid Mukhtar & Co. (Pvt.) Ltd. (Consulting Engineers, Surveyors and Loss Adjusters, Valuation Consultants), 14 - Q, Gulberg - 2, Lahore. Freehold land has been revalued on the basis of current market value whereas buildings on freehold land, plant & machinery and generators have been revalued on the basis of depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.209.017 million has been credited to this account. The year-end balance has been arrived at as follows:

	2018	Re-stated 2017	Re-stated 2016
	-------- Rupees in thousand --------		
Opening balance	**897,290**	920,586	710,254
Add: surplus arisen on revaluation carried-out during the year	**0**	0	228,765
Less: transferred to unappropriated profit:			
- on account of incremental depreciation for the year	**(21,907)**	(23,296)	(17,922)
- upon sale of revalued assets	**(5,580)**	0	(511)
	869,803	897,290	920,586
Less: deferred tax on:			
- opening balance of surplus	**132,102**	143,726	114,746
- surplus arisen during the year	**0**	0	39,515
- incremental depreciation for the year	**(6,572)**	(7,221)	(5,735)
- sale of revalued assets	**(1,674)**	0	(164)
	123,856	136,505	148,362
	745,947	760,785	772,224
Resultant adjustment due to reduction in tax rate	**4,128**	4,403	4,636
Closing balance	**750,075**	765,188	776,860

19.3 Also refer contents of note 6.

20. LONG TERM FINANCES - Secured

	Note	2018	2017
		(Rupees in thousand)	
The Bank of Khyber (BoK)			
- demand finance - I	20.1	46,284	0
- demand finance - II	20.2	27,456	0
		73,740	0
Less: current portion grouped under current liabilities		3,644	0
		70,096	0

20.1 These finances have been obtained to retire letters of credit established for import of textile machinery for BMR. These finances carry mark-up at the rate of 6-months KIBOR + 2%; the effective mark-up rate charged by BoK during the year was 8.50% per annum. These finances are repayable in 48 equal monthly instalments commencing May, 2019.

20.2 These finances have been obtained for acquisition of local textile machinery for BMR. These finances carry mark-up at the rate 6-months KIBOR + 2%; the effective mark-up rate charged by BoK during the year was 8.53% per annum. These finances are repayable in 48 equal monthly instalments commencing April, 2019.

20.3 These finances are secured against first joint pari passu charge on fixed assets of the Company for Rs.616 million and personal guarantee of Chief Executive of the Company.

21. STAFF RETIREMENT BENEFITS - Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

Significant actuarial assumptions	2018	2017
- discount rate	9.00%	7.75%
- expected rate of growth per annum in future salaries	8.00%	6.75%
- average expected remaining working life time of employees	7 years	6 years
- mortality rates	SLIC 2001-2005	SLIC 2001-2005
	Setback 1 year	
- withdrawal rates	Age-based	Age-based
- retirement assumption	Age 60	Age 60

The amount recognised in the statement of financial position is as follows:	2018	2017
	(Rupees in thousand)	
Net liability at beginning of the year	69,140	73,104
Charge to statement of profit or loss	22,146	18,555
Experience adjustments	14,401	(10,304)
Payments made during the year	(27,361)	(12,215)
Net liability at end of the year	78,326	69,140

The movement in the present value of defined benefit obligation is as follows:	**2018**	2017
	(Rupees in thousand)	
Opening balance	**69,140**	73,104
Current service cost	**14,066**	13,698
Interest cost	**4,298**	4,857
Past service cost	**3,782**	0
Benefits paid	**(27,361)**	(12,215)
Experience adjustments	**14,401**	(10,304)
Closing balance	**78,326**	69,140
Expense recognised in statement of profit or loss		
Current service cost	**14,066**	13,698
Interest cost	**4,298**	4,857
Past service cost	**3,782**	0
Charge for the year	**22,146**	18,555
Charge for the year has been allocated to:		
- cost of sales	**18,824**	15,772
- distribution cost	**222**	185
- administrative expenses	**3,100**	2,598
	22,146	18,555
Remeasurement recognised in other comprehensive income		
Experience adjustments (net of deferred tax)	**(10,225)**	(7,213)

Comparison of present value of defined benefit obligation and experience adjustments on obligation for five years is as follows:

	2018	2017	2016	2015	2014
	Rupees in thousand				
Present value of defined benefit obligation	**78,326**	69,140	73,104	62,500	55,631
Experience adjustments on obligation	**14,401**	(10,304)	(533)	(4,337)	3,528

Year-end sensitivity analysis	**Impact on defined benefit obligation**		
	Changes in assumption	Increase	Decrease
		Rupees in thousand	
Discount rate	1%	**73,298**	**84,104**
Salary growth rate	1%	**84,304**	**73,026**

21.1 The average duration of the benefit obligation as at June 30, 2018 is 7 years.

21.2 The expected contribution to defined benefit obligation for the year ending June 30, 2019 is Rs.21.638 million.

22. DEFERRED TAXATION - Net

	2018	Re-stated 2017	Re-stated 2016
	---------- Rupees in thousand -------		
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances	**129,003**	120,367	124,711
- surplus on revaluation of property, plant & equipment	**119,725**	132,102	143,725
- lease finances	**0**	14,500	10,666
	248,728	266,969	279,102
Deductible temporary differences arising in respect of:			
- staff retirement benefits - gratuity	**(22,715)**	(20,742)	(22,662)
- provision for doubtful debts	**(664)**	(687)	(710)
- minimum tax recoverable against normal tax charge in future years	**(70,003)**	(52,606)	(38,388)
- unused tax losses	**(72,336)**	(60,556)	(50,575)
	(165,718)	(134,591)	(112,335)
	83,010	132,378	166,767

22.1 As at June 30, 2018, deferred tax asset amounting Rs.31.544 million (2017: Rs.nil) on unused tax losses has not been recognized in the financial statements on the ground of prudence. The management intends to re-assess the recognition of deferred tax asset as at June 30, 2019.

23. TRADE AND OTHER PAYABLES

	Note	2018	2017
		(Rupees in thousand)	
Creditors		**53,444**	38,358
Bills payable	**23.1**	**140,449**	65,487
Advances from customers		**2,457**	1,753
Accrued expenses		**63,714**	52,848
Interest free security deposits - repayable on demand	**23.2**	**170**	170
Due to Waqf-e-Kuli Khan		**12,048**	12,048
Income tax deducted at source		**0**	378
Others		**270**	188
		272,552	171,230

23.1 These are secured against lien on import documents.

23.2 This represents amounts received from the Company's customers and service providers; this amount has been deposited with a scheduled bank.

24. ACCRUED INTEREST / MARK-UP

	2018	2017
Mark-up accrued on:		
- long term finances	**1,074**	0
- short term finances	**14,252**	8,708
Accrued lease finance charges	**0**	84
	15,326	8,792

25. SHORT TERM FINANCES - Secured

Short term finance facilities available from National Bank of Pakistan (NBP) and The Bank of Khyber (Bok) under mark-up arrangements aggregate Rs.980 million (2017: from NBP Rs.630 million) and are secured against pledge of raw material and finished good stocks and first charge on current and fixed assets of the Company. These facilities, during the year, carried mark-up at the rates ranging from 7.46% to 8.41% (2017: 7.54% to 7.63%) per annum. Facilities available for opening letters of credit and guarantee from NBP and BoK aggregate Rs.633 million (2017: from NBP Rs.325 million) out of which the amount remained unutilised at the year-end was Rs.388.656 million (2017: Rs.154.294 million). These facilities are secured against lien on import documents and first charge on current and fixed assets of the Company.

These facilities are available upto December 31, 2018.

26. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2018	2017
		(Rupees in thousand)	
Long term finances	20	3,644	0
Liabilities against assets subject to finance lease	26.1	0	13,824
		3,644	13,824

26.1 (a) The Company, during the financial year ended June 30, 2015, had entered into a sale and lease-back financing facility with Saudi Pak Industrial and Agricultural Investment Company Limited subject to the following terms and conditions:

- Assets	Gas fired power generator of Austrian origin and four Simplex machines of Chinese origin
- Lease amount	Rs.70 million
- Tenor	3.5 years
- Mark-up rate	6 months KIBOR plus 300 bps
- Residual value	10% of the cost of machinery
- Security	Title of leased assets in the name of lessor and ranking charge on fixed assets of the Company
- Rental frequency	42 monthly instalments in arrears

(b) These finances, during the year, carried finance cost at the rates ranging from 9.14% to 9.15% (2017: 9.02% to 9.14%) per annum.

(c) Deferred income arisen on sale and lease-back arrangement was worked-out as follows:

	(Rupees in thousand)
Lease amount	70,000
Carrying value of assets	57,405
Total deferred income	12,595
Less: credited to profit or loss during the preceding years	10,495
Balance as at June 30, 2017	2,100
Less: credited to profit or loss during the current year	2,100
Balance as at June 30, 2018	0

(d) The opening balance of this lease finance facility was fully repaid during the year.

27. TAXATION

	Note	2018	2017
		(Rupees in thousand)	
Opening balance		14,218	10,231
Provision made during the year:			
- current [net of tax credit under section 65B of the Ordinance amounting Rs.6.234 million (2017: Rs.2.350 million)]	27.2	17,450	14,218
- prior years		0	34
		17,450	14,252
Less: payments / adjustments made against completed assessments		14,218	10,265
		17,450	14,218

27.1 Income tax returns of the Company have been filed upto the tax year 2017 i.e. accounting year ended June 30, 2017.

27.2 No numeric tax rate reconciliation is presented in these financial statements as the Company is liable to pay tax due under section 113 (Minimum tax on the income of certain persons) of the Income Tax Ordinance, 2001 (the Ordinance).

27.3 The Company's writ petition before the Islamabad High Court, Islamabad praying exemption from levy of minimum tax under section 113 of the Ordinance is still pending adjudication. An adverse judgment by the Court will create tax liability under section 113 of the Ordinance aggregating Rs.39.712 million.

The Finance Act, 2015 has omitted clause 126F of the Ordinance and inserted a new sub-clause (xx) of clause (11A) in part IV of the second schedule of the Ordinance wherein exemption from levy of minimum tax under section 113 of the Ordinance has been provided. The amendment would have a retrospective impact being related to tax years 2010, 2011 and 2012.

27.4 As per the rectification order dated February 03, 2017, the Income Tax Department has charged tax under sections 161 / 205 of the Ordinance raising tax demands of Rs.4.885 million for the tax year 2015 against which the Company has filed an appeal before the Commissioner Inland Revenue (Appeals), which is pending adjudication.

28. CONTINGENCIES AND COMMITMENTS

28.1 The Company had challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was assailed before the Supreme Court of Pakistan (SCP), which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition. The Company, thereafter, has filed a petition before the SCP, which is pending adjudication.

Sui Northern Gas Pipelines Ltd., along with gas bill for the month of June, 2018, has raised GIDC demands aggregating Rs.422.512 million, which are payable in case of an adverse judgment by the SCP. Provisions for these GIDC demands pertaining to prior years and the current year have not been made in the books of account as the management expects a favourable judgment by the SCP due to meritorious legal grounds.

28.2 Guarantee amounting Rs.55.200 million (2017: Rs.55.200 million) issued by National Bank of Pakistan on behalf of the Company in favour of Sui Northern Gas Pipelines Ltd. was outstanding as at June 30, 2018.The guarantee is secured against the securities as detailed in note 25 and is valid upto December 31, 2018.

28.3 Commitments against irrevocable letters of credit outstanding at the year-end were for:

	Note	2018	2017
		(Rupees in thousand)	
- raw materials		**71,518**	42,300
- spare parts		**117,626**	7,719
		189,144	50,019

28.4 Also refer contents of note 27.3 and 27.4.

29. SALES - Net

	Note	2018	2017
		(Rupees in thousand)	
Local			
- Yarn		**1,837,825**	1,592,280
- Waste		**68,360**	57,358
		1,906,185	1,649,638
Less: sales tax	**29.1**	**16,173**	0
		1,890,012	1,649,638

29.1 As per S.R.O. Notification 491(I) / 2016 dated June 30, 2016, sales made by the Company to registered persons are being charged sales tax at zero percent with effect from July 01, 2016 whereas sales made to un-registered persons are being charged sales tax at one percent as per S.R.O Notification 584(I) / 2017 dated July 01, 2017 with effect from July 01, 2017.

30. COST OF SALES

	Note	2018	2017
		(Rupees in thousand)	
Raw materials consumed	30.1	1,104,011	1,063,233
Packing materials consumed		34,879	33,488
Salaries, wages and benefits	30.2	283,756	260,227
Power and fuel		193,761	199,933
Repair and maintenance:			
- stores consumed		55,881	51,620
- expenses		9,615	9,978
		65,496	61,598
Depreciation	7.5	57,797	59,564
Insurance		5,826	5,089
		1,745,526	1,683,132
Adjustment of work-in-process			
Opening		37,987	36,606
Closing	11	(39,494)	(37,987)
		(1,507)	(1,381)
Cost of goods manufactured		1,744,019	1,681,751
Adjustment of finished goods			
Opening stock		206,157	118,946
Closing stock	11	(26,642)	(206,157)
		179,515	(87,211)
Cost of goods sold		1,923,534	1,594,540

30.1 Raw materials consumed

	Note	2018	2017
Opening stock		370,771	223,505
Purchases		1,338,984	1,209,828
		1,709,755	1,433,333
Less: closing stock	11	606,258	370,771
Raw materials issued		1,103,497	1,062,562
Cess on cotton consumed		514	671
		1,104,011	1,063,233

30.2 These include Rs.18,824 thousand (2017: Rs.15,772 thousand) in respect of staff retirement benefits - gratuity.

31. DISTRIBUTION COST

	Note	2018	2017
Freight, loading, travelling and conveyance		2,518	2,345
Salaries and benefits	31.1	3,200	6,419
Commission		8,449	3,448
Others		6	154
		14,173	12,366

31.1 These include Rs.222 thousand (2017: Rs.185 thousand) in respect of staff retirement benefits - gratuity.

32. ADMINISTRATIVE EXPENSES

	Note	2018	2017
		(Rupees in thousand)	
Salaries and benefits	32.1	44,837	51,817
Printing and stationery		861	753
Communication		975	1,172
Travelling and conveyance		2,152	1,580
Rent, rates and taxes		3,116	2,933
Insurance		367	376
Advertisement		179	130
Repair and maintenance		1,277	1,104
Vehicles' running		4,909	3,804
Guest house expenses and entertainment		2,040	1,493
Subscription		462	460
Auditors' remuneration:			
- statutory audit		966	875
- half yearly review		165	190
- consultancy charges		40	77
- certification charges		108	16
- out-of-pocket expenses		45	45
		1,324	1,203
Legal and professional charges (other than Auditors)		3,289	1,446
Depreciation	7.5	2,264	3,069
		68,052	71,340

32.1 These include Rs.3,100 thousand (2017: Rs.2,598 thousand) in respect of staff retirement benefits - gratuity.

33. OTHER EXPENSES

	Note	2018	2017
Donations (without directors' interest)		120	0
Loss on sale of fixed assets	7.6	4,148	0
		4,268	0

34. OTHER INCOME

	Note	2018	2017
Income from financial assets			
Return on bank deposits		316	169
Amortisation of gain on forward foreign exchange contracts		110	116
Income from non-financial assets			
Salvage sales		4,730	1,769
Deferred income - credited	26.1	2,100	3,598
Unclaimed payable balances written-back		0	93
		7,256	5,745

35. FINANCE COST

	Note	2018	2017
		(Rupees in thousand)	
Mark-up on:			
- long term finances		1,074	0
- short term finances		42,050	22,293
Lease finance charges		769	2,124
Bank charges		1,188	239
		45,081	24,656

36. TAXATION

	Note	2018	Restated 2017
		(Rupees in thousand)	
Current			
- for the year		17,450	14,218
- for prior years		0	34
	27	17,450	14,252
Deferred:			
- for the year		(45,192)	(37,480)
- resultant adjustment due to reduction in tax rate	19	4,128	4,403
		(41,064)	(33,077)
		(23,614)	(18,825)

36.1 Management assessment on sufficiency of provision for income taxes

A comparison of provision on account of income tax with most recent tax assessments for the last three tax years is as follows:

	2017	2016	2015
	------- Rupees in thousand --------		
Tax assessed as per most recent tax assessment	14,218	10,265	14,142
Provision in financial statements for income tax	14,218	10,231	14,010

As at June 30, 2018, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate Authorities on similar matters, the provision in financial statements for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax Authorities.

37. LOSS PER SHARE

	2018	Re-stated 2017
	(Rupees in thousand)	
There is no dilutive effect on loss per share of the Company, which is based on:		
Loss after taxation attributable to ordinary shareholders	(138,936)	(29,296)
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	3,652,178	3,652,178
	------- Rupees -------	
Loss per share - basic	(38.04)	(8.02)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 Financial Risk Factors

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

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

38.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials, stores & spares and plant & machinery denominated in U.S. $, Euro, CHF and JPY. The Company's exposure to foreign currency risk for U.S. $, Euro, CHF and JPY is as follows:

2018	**Rupees**	**U.S.$**	**Euro**	**JPY**
	---------------- in thousand ----------------			
Funded:				
Bills payable	**140,449**	**1,161**	**0**	**0**
Unfunded:				
Outstanding letters of credit	**189,144**	**897**	**443**	**15,700**
Total exposure	**329,593**	**2,058**	**443**	**15,700**

2017	Rupees	U.S.$	Euro	CHF
	---------------- in thousand ----------------			
Funded:				
Bills payable	65,487	624	0	0
Unfunded:				
Outstanding letters of credit	50,019	403	47	19
Total exposure	115,506	1,027	47	19

The following exchange rates have been applied:

	Average rate		**Statement of financial position date rate**	
	2018	2017	**2018**	2017
U.S. $ to Rupee	**113.25**	104.93	**121.60**	105.00
Euro to Rupee	**130.43**	112.76	**141.57**	120.14
CHF to Rupee	**-**	102.20	**-**	109.75
JPY to Rupee	**1.03**	-	**1.10**	-

Sensitivity analysis

At June 30, 2018, if Rupee had strengthened by 10% against U.S.$ with all other variables held constant, loss before taxation for the current and preceding years would have been lower by the amount shown below mainly as a result of foreign exchange gains on translation of foreign currency financial liabilities.

	2018	2017
Effect on loss for the year:	Rupees in thousand	
U.S. $ to Rupee	**14,118**	6,552

The weakening of Rupee against U.S. $ would have had an equal but opposite impact on loss before taxation.

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

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2018	2017	2018	2017
	Effective rate		Carrying amount	
	%	%	(Rupees in thousand)	
Fixed rate instruments				
Financial assets				
Bank balances	2.40 to 2.76	2.40 to 2.41	663	139
Variable rate instruments				
Financial liabilities				
Long term finances	8.50 to 8.53	-	73,740	0
Liabilities against assets subject to finance lease	9.14 to 9.15	9.02 to 9.14	0	13,824
Short term finances	7.46 to 8.41	7.54 to 7.63	726,128	561,030

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect statement of profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2018, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss before taxation for the year would have been higher / lower by Rs.7.999 million (2017: Rs.5.749 million) mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk.

38.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from trade debts and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2018 along with comparative is tabulated below:

	2018	2017
	(Rupees in thousand)	
Security deposits	**1,109**	1,033
Trade debts	**369**	285
Other receivables	**4,710**	4,916
Bank balances	**8,085**	368
	14,273	6,602

All the trade debts at the financial position date represent domestic parties.

38.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	---------------- Rupees in thousand ----------------			
2018				
Long term finances	73,740	91,088	11,126	79,962
Trade and other payables	260,334	260,334	260,334	0
Unclaimed dividends	2,431	2,431	2,431	0
Accrued interest / mark-up	15,326	15,326	15,326	0
Short term finances	726,128	749,024	749,024	0
	1,077,959	1,118,203	1,038,241	79,962

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	Rupees in thousand			
2017				
Liabilities against assets subject to finance lease	13,824	14,218	14,218	0
Trade and other payables	158,634	158,634	158,634	0
Unclaimed dividends	2,431	2,431	2,431	0
Accrued interest / mark-up	8,792	8,792	8,792	0
Short term finances	561,030	581,438	581,438	0
	744,711	765,513	765,513	0

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

39. MEASUREMENT OF FAIR VALUES

The management, during the financial year ended June 30, 2016, has engaged an independent external Valuer to carry out valuation of its freehold land, buildings on freehold land, owned and leased plant & machinery and generators. Selection criteria included market knowledge, reputation, independence and whether professional standards were maintained. When measuring the fair value of an asset, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

Financial assets not measured at fair value

	2018	2017
	Carrying amount (Rupees in thousand)	
Trade debts	**369**	285
Bank balances	**8,085**	368
	8,454	653

Financial liabilities not measured at fair value

	2018	2017
Creditors	**53,444**	38,358

Management has assessed that the fair values of trade debts, bank balances and creditors approximate their carrying amounts largely due to the short term maturities of these instruments.

40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	---------------- Rupees in thousand ----------------					
Managerial remuneration	6,522	6,522	2,700	3,604	12,209	26,037
Bonus / ex-gratia	434	0	222	0	598	0
Retirement benefits	440	0	225	0	816	1,718
Utilities	801	961	0	913	0	0
Insurance	6	6	2	0	6	14
Medical	34	471	17	40	528	775
	8,237	7,960	3,166	4,557	14,157	28,544
No. of persons	1	1	1	1	4	8

40.1 Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

40.2 Chief executive, director and three (2017: six) of the executives have been provided with the Company maintained cars and residential telephones.

40.3 The Company has provided rent free accommodation to two (2017: four) of its executives in the mills' colony.

40.4 In addition to above, meeting fees of Rs.840 thousand (2017: Rs.960 thousand) were paid to eight (2017: ten) non-working directors during the year.

41. TRANSACTIONS WITH RELATED PARTIES

41.1 The Company's shareholders vide a special resolution dated March 30, 2017 have enhanced the previous approved limit of Rs.5.000 million to Rs.12.500 million on account of transactions among Associated Companies of the Group, which fall under normal trade transactions for sale and purchase of store and spare parts, purchase of raw materials and certain other related transactions not falling within the preview of section 208 of the repealed Companies Ordinance, 1984 (now section 199 of the Companies Act, 2017) or the regulations made thereunder.

41.2 Maximum aggregate debit balance of Associated Companies at any month-end during the year was Rs.46 thousand (2017: Rs.61 thousand).

41.3 The related parties of the Company mainly comprise of associated undertakings, its directors and key management personnel. The Company in the normal course of business caries-out transactions with various related parties. Remuneration of directors and key management personnel are disclosed in note 40. There were no transactions with key management personnel other than under the terms of employment. The transactions with related parties are made at normal market prices. Amounts due from and to related parties are shown under receivables and payables respectively.

Material transactions with Janana De Malucho Textile Mills Ltd. (an Associated Company on the basis of common directorship) during the year were as follows:

	2018	2017
	(Rupees in thousand)	
Residential rent:		
- paid	**1,609**	1,399
- received	**0**	24
Utilities:		
- paid	**0**	90
- recovered	**60**	93
Salaries:		
- paid	**1,549**	6,304
- recovered	**0**	41
Packing material purchased	**0**	20
Dividend received	**0**	426

42. CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity and current ratios under the financing agreements.

43. OPERATING SEGMENT

These financial statements have been prepared on the basis of single reportable segment.

43.1 Yarn sales represent 96.41% (2017: 96.52%) of the total sales of the Company.

43.2 All the Company's sales relate to customers in Pakistan.

43.3 All non-current assets of the Company as at June 30, 2018 are located in Pakistan.

43.4 Six (2017: three) of the Company's customers contributed towards 70.89% (2017: 76.41%) of net sales during the year aggregating Rs.1,291.525 million (2017: Rs.1,216.634 million).

44. CAPACITY AND PRODUCTION

		2018	2017
Number of spindles installed		**50,160**	53,040
Number of rotors installed		**400**	400
Number of shifts worked for spindles		**1,094**	1,094
Number of shifts worked for rotors		**1,094**	1,094
Number of spindles / shifts worked		**53,717,645**	54,225,138
Number of rotors' shifts worked		**220,363**	218,800
Average count spun		**58.86**	54.51
Actual production on rotors	Kgs	**340,107**	317,200
Actual production on spindles	Kgs	**3,513,986**	3,954,958

44.1 It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindles' speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

45. NUMBER OF EMPLOYEES

	2018	2017
	------ Numbers ------	
Number of employees as at June 30,		
- permanent	1,040	1,159
- contractual	51	42
	*1091	*1201

*This includes 896 (2017: 984) number of factory employees.

	2018	2017
Average number of employees during the year		
- permanent	1,104	1,147
- contractual	41	43
	**1145	**1190

**This includes 943 (2017: 972) number of factory employees.

46. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Long term finances	Liabilities against assets subject to finance lease	Short term borrowings	Accrued interest / mark-up	Total
	...Rupees in thousand...				
2018					
Balance as at July 01, 2017	0	13,824	561,030	8,792	583,646
Changes from financing activities					
Finances obtained	73,740	0	0	0	73,740
Short term borrowings obtained net of repayments	0	0	165,098	0	165,098
Repayment of lease finances	0	(13,824)	0	0	(13,824)
Finance cost paid	0	0	0	(37,359)	(37,359)
	73,740	(13,824)	165,098	(37,359)	187,655
Other changes					
Mark-up / interest expense for the year	0	0	0	43,893	43,893
Balance as at June 30, 2018	73,740	0	726,128	15,326	815,194

47. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on by the board of directors of the Company.

48. FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison; however, except for the following, no material re-arrangements and re-classifications have been made in these financial statements.

As required by provisions of the Companies Act, 2017, unclaimed dividends have been disclosed as a separate line item on the face of statement of financial position whereas revaluation surplus on property, plant and equipment has been reclassified and made part of equity as fully detailed in note 6.

SHC

Rafaqat Khar
Chief Executive

Director

Chief Financial Officer