Fazal Cloth Mills Limited

# 2018 ANNUAL REPORT

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## Company Information

| | | |
|---|---|---|
| Board of Directors | Sh.Naseem Ahmad | Chief Executive Officer |
| | Mr.Rehman Naseem | Chairman |
| | Mr. Aamir Naseem Sheikh | |
| | Mr.Fazal AhmedSheikh | |
| | Mr.Faisal Ahmed | |
| | Mr.Fahd Mukhtar | |
| | Mr.Babar Ali | Independent Director |
| Audit Committee | Mr. Babar Ali | Chairman |
| | Mr.Rehman Naseem | Member |
| | Mr.Fahd Mukhtar | Member |
| Human Resource and Remuneration Committee | Mr. Babar Ali | Chairman |
| | Mr.Aamir Naseem Sheikh | Member |
| | Mr.Faisal Ahmed | Member |
| Company Secretary | Mr. Asad Mustafa | |
| Chief Financial Officer | Mr. Muhammad Azam | |
| Auditors | KPMG TaseerHadi& Co., Chartered Accountants | |

Bankers

| | |
|---|---|
| Allied Bank Limited | Faysal Bank Limited |
| National Bank of Pakistan | Askari Bank Limited |
| MCB Bank Limited | The Bank of Punjab |
| Meezan Bank Limited | The Bank of Khyber |
| United Bank Limited | Pak Brunei Investment Company Limited |
| Standard Chartered Bank Pakistan Limited | Pak Oman Investment Company Limited |
| Habib Bank Limited | Summit Bank Limited |
| Soneri Bank Limited | Habib Metropolitan Bank Limited |
| Bank Islami Pakistan Limited | Dubai Islamic Bank (Pakistan) Limited |
| Bank Al-Falah Limited | |
| Bank Al-Habib Limited | JS Bank Limited |

| | |
|---|---|
| Head Office & Shares Department: | 59/3, Abdali Road, Multan.<br>Phone: (92) 61-4579001-7,4781637 Fax: (92) 61-4541832<br>E-mail: corporate@fazalcloth.com; arfan.zahid@fazalcloth.com<br>Website: www.fazalcloth.com |
| Shares Registrar: | Vision Consulting Ltd.<br>3-C, LDA Flats, Lawrence Road, Lahore.shares@vcl.com.pk<br>Phone: (92) 42-36283096, 36283097 Fax: (92) 42-36312550 |
| Registered Office: | 69/7, AbidMajeed Road, Survey No. 248/7, Lahore Cantt, Lahore.<br>Phone: (92) 42-36684909 |
| Mills: | i) Fazal Nagar, Jhang Road, Muzaffargarh– Pakistan<br>Ph. (92) 66-2422216,18 Fax: (92) 66-2422217 |
| | ii) QadirpurRawan Bypass, Khanewal Road, Multan – Pakistan<br>Ph. (92)61-6740041-43, Fax : (92) 61-6740052 |

## Corporate Vision / Mission Statement

### Vision

*The Company aims to establish a vertically integrated textile business producing finished products, processed and greige fabrics and yarn. The Company aims to produce high quality diversified products at competitive price to be marketed globally.*

### Mission

*The Company should provide a secure and rewarding investment to its shareholders and investors, quality products to its customers, a secure place of work to its employees and be an ethical partner with its business associates.*

## Corporate Values & Code of Conduct

The Company has adopted the following corporate values:

- To fulfill customer needs by producing quality products;
- To act with good governance;
- To achieve sustainable and equitable growth;
- To promote diversity and ethical behavior;
- To develop a dynamic team of professionals to achieve excellence and innovation.

**Fazal Cloth Mills Limited** ("the company") promulgated the code of conduct ("the Code") on October 05, 2012. The Company is committed to maintain the highest level of ethical conduct among its directors and employees. Therefore separate codes were framed for directors and employees, which include the acceptable business practices, source of guidance and principles of behavior.

## Salient Features For The Code Of Conduct For Directors

**Compliance with Laws**

Directors must comply with the laws, rules and regulations applicable to business of the Company in and outside Pakistan.

**Conflict of interest**

A conflict of an interest is a situation where a director would be in a position to make personal gains by influencing the decision making. Conflict of interest might not be easily identifiable. Whenever a director feels that the conflict of interest exists, he should inform about it to the chairman of the Board of Directors.

**Corporate Opportunity**

Directors should not use the Company's property, information and their position for personal benefit. He should not establish competing business and divert the Company's business opportunities for personal gains.

**Confidentiality**

Directors must always maintain confidentially of the confidential information. He should not make public such information which would harm the interests of the Company. He should consult with Chairman of the Board or compliance officer if he has to disclose any information due to his legal obligation.

**Fair Dealing**

A director must deal with all the stakeholders of the Company fairly. He should not provide unfair advantage to any customer, supplier, banker etc. due to his position.

**Protection and Proper Use of the Company Assets**

Directors should ensure that all assets of the Company must be used for the benefit of the Company. They are required to exercise best of their abilities and judgment to put the assets of the company for efficient use and benefit of the Company.

**Reporting any Illegal or Unethical Behavior**

A director must inform the Compliance officer or chairman of the Board of Directors if he finds any employee or other director committing the violation of the Code and any law of the land. He should take all possible measures which could help prevent illegal or unethical behavior of fellow directors or employees.

**Public Company Reporting**

Directors are responsible for the timely and accurate reporting to the SECP, FBR, stock exchanges and other regulatory bodies. Theyshould make possible that the financial statements of the Company are published and circulated among shareholders in time.

**Disclosure of Interest**

The directors should disclose their interest in the shareholding of other companies. They must inform within four days to the Company Secretary if any director or his spouse trades in the shares of the other Company.

**Insider Trading**

No director or his spouse will transact in the shares of the Company after the start of close period. The Company secretary will inform about the close period that will start when the documents and financial statements are circulated among the directors. Directors should also inform the Company Secretary immediately about transactions performed by them and their spouse in the shares of the Company other than close period.

## Salient Features For The Code Of Conduct For Employees

**Safety**

The Company is highly concerned with the safety of both employees and non-employees on its premises and maintains standard operating procedures in case of emergencies. All the employees must follow these procedures and are required to inform their seniors in case of any mishap.

**Fitness for Duty**

An employee should be mentally and physically fit when he is on work. He should not use any drugs. Even if he is using any prescribed medicine which might affect his performance at work he should inform about it to his senior.

**Attendance Report**

An employee should have contact information of his senior and inform him if he is not able to report on work.

**Work Place Harassment and Discrimination**

The Company treats all its employees equally and maintains an environment free from workplace harassment and discrimination. The policy of equal treatment applies to hiring, career prospects, promotions, training, remuneration and dismissal as well.

**Environment**

All the employees are required to promote culture of environmental protection among employees, customers, suppliers, public authorities and communities. They must use the Company's facilities and processes in an environmentally sustainable way.

**Workplace Violence**

Employees must restraint themselves from any form of violence at the Company premises otherwise he will be terminated from his job.

**Weapons in Workplace**

All the employees, other than those who are authorized, cannot carry any weapon whether on or off duty if they are using premises, vehicle or any other property of the Company.

**Protection and proper use of the Company Assets**

Employees should ensure that all assets of the Company must be used for the benefit of the Company. They are required to exercise best of their abilities and judgment to put the assets of the company for efficient use and benefit of the Company.

**Computer and System Security**

All the employees of the Company are required to use computer and information technology system of the Company according to the Company information technology policy and guidelines.

**Fair Dealing**

All employees must deal with all the stakeholders of the Company fairly. He should not provide unfair advantage to any customer, supplier, banker etc. due to his position.

**Bribery**

The payment of bribery and kickbacks in any form is strictly prohibited because the Company does not allow anyone to promote its business by compromising the integrity and ethical practices.

**Confidential Information**

All the employees must keep the company information on its premises and should not make copies of documents, papers, statements and record for an unauthorized use. Employees are not permitted to share the information about Company business outside the Company unless authorized.

**Regulatory Compliance and Corporate governance**

The company maintains an environment of good governance. All the employees are required to follow the Company's policies, rules and regulations.

**Financial Integrity**

No employee should indulge himself in any fraudulent activity. If he believes and finds anyone engaged in a fraudulent activity he should inform about it to his seniors.

**Alcohol, Drugs and Gambling**

The use of alcohol, drugs, other than for medication, and gambling is prohibited on the location or premises of the Company.

**Insider Trading**

No employee or his spouse will transact in the shares of the Company after the start of close period prior to the announcement of financial results. Employees categorized as executives according to the requirements of Code of Corporate Governance 2012 should also inform the Company Secretary immediately about transactions performed by them and their spouse in the shares of the Company other than close period.

## Audit Committee

**Members**

| | |
|---|---|
| Mr. Babar Ali | Chairman |
| Mr. Rehman Naseem | Member |
| Mr. Fahd Mukhtar | Member |

**Terms of Reference**

The terms of reference of the Audit Committee shall include the following:

A. Recommending to the Board of Directors the appointment of external auditors, their remuneration and audit fees;

B. Determination of appropriate measures to safeguard the Company's assets;

C. Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing

- Major judgmental areas;
- Significant adjustments resulting from the audit;
- The going concern assumption;
- Any changes in accounting policies and practices;
- Compliance with applicable accounting standards;
- Compliance with listing regulations and other statutory and regulatory requirements; and
- Significant related party transactions

- regulatory requirements; and
- Significant related party transactions.

D. Review of preliminary announcements of results prior to publication;

E. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

F. Review of management letter issued by external auditors and management's response thereto;

G. Ensuring coordination between the internal and external auditors of the Company;

H. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and isappropriately placed within the Company;

I. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse ofpower; and management's response thereto;

J. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timelyand appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure areadequate and effective;

K. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;

L. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;

M. Determination of compliance with relevant statutory requirements;

N. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

O. Consideration of any other issue or matter as may be assigned by the Board of Directors.

## Human Resource & Remuneration (HR& R) Committee

**Members**

| | | |
|---|---|---|
| 1. | Mr. Babar Ali | Chairman |
| 2. | Mr. Aamir Naseem Sheikh | Member |
| 3. | Mr. Faisal Ahmed | Member |

**Terms of Reference**

The Human Resource and Remuneration Committee was constituted on October 05, 2012 and its terms of reference were defined as follows:

The Committee shall be responsible for recommending the following to the Board: -

- Human resource management policies
- Selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit.
- Key management positions who directly report to CEO.

## NOTICE OF MEETING

Notice is hereby given that the **53rd Annual General Meeting** of the Shareholders of the Company **M/S. FAZAL CLOTH MILLS LIMITED ( "the Company")**will be held on Saturday, October 27, 2018at 11:00 a.m. at FG Head Office, E/110, Khayaban-e-Jinnah,DefenceChowk, LAHORE to transact the following business:

## ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting of the Company held on October 28, 2017.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2018 together with the Auditors' and Director's Report thereon.

3. To consider and approve payment of final Cash Dividend for the year ended June 30, 2018 at the rate of **Rs.8.50 (**Rupees Eight and Fifty PaisaOnly) per Ordinary Share of Rs.10.00 each (2017: Rs. 5.25) as recommended by the Board of Directors.

4. To appoint External Auditors of the Company for the Financial Year Ending **June 30, 2019** and fix their remuneration. M/s. KPMG TaseerHadi& CO., Chartered Accountants, Lahore, External Auditors of the Company retires and being eligible offers themselves for re-appointment.

5. To transact any other business with the permission of the Chairman.

## SPECIAL BUSINESS

6. To discuss the matter and seek approval of the shareholders of the following special resolutions, with or without modifications, in compliance with Section 199 of the Companies Act, 2017 regarding investment up-to of Rs. 2,000 Million in Associated Company Fatima Energy Ltd (“FEL”) and to authorize the Company to invest by way of advance/loan in FEL:

   **“RESOLVED THAT** a loan of the amount up-to Rs. 2,000,000,000/- (Pak Rupees Two Thousand Million Only) be made to “Fatima Energy Limited”, an Associated Undertaking, at mark-up chargeable in terms of section 199 of the Companies Act, 2017 and will be repayable within ten years from date of disbursal and the period of investment will be till October 15, 2021”.

   **"FURTHER RESOLVED** that any Director of the Company and authorized officers of the Company namely, Mr. Muhammad Azam, Chief Financial Officer and Mr. Asad Mustafa, Company Secretary be and are hereby authorized singly to take all steps necessaryin this regard, including but not limited to negotiating and executing necessary agreements/documents, seeking any relevant regulatory approvals, and any ancillary matter thereto”.

7. A statement under section 134(3) of the Companies Act, 2017 to the aforesaid special business to be transacted at the said Annual General Meeting is attached.

BY ORDER OF THE BOARD

Sd/-
**Asad Mustafa**
Company Secretary

MULTAN.
Dated: October 05, 2018.

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 19, 2018 to October 26, 2018 (both days inclusive). Physical transfers / CDS Transaction IDs received at the Company's Share Registrar, M/s. Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, at the close of business on October 18th 2018 will be considered in time for the purpose of above entitlement and to determine voting rights of the shareholders for attending the meeting.
2. A member eligible to attend, speak and vote at this meeting may appoint another member as his/her proxy and CDC shareholders shall attach an attested copy of his/her Computerized National Identity Card (CNIC) / Passport. Proxies, in order to be effective, must reach at the Company's Registered Office not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. Representatives of corporate members should bring the usual documents required for such purpose.
3. The Members, who desire for receiving the audited financial statements and AGM Notice through e-mail, are requested to send their written consent on a Standard Request Form available on website <www.fazalcloth.com/downloads.php > in order to avail this facility.
4. Shareholders are requested to notify / submit the following information & documents, in case of book entry securities in CDS to their respective CDS participants and in case of physical shares to our Share Registrar, if not earlier provided / notified:-
   a. Change in their addresses;
   b. Pursuant to the requirement of Section 242 of new Companies Act 2017, shareholders are mandatorily required to provide their bank account details i.e. Title of Bank Account, Bank Account No/IBAN No., Bank's Name, Branch Address and Cell / Landline No(s). of the Transferee(s) so that dividend be paid through electronic mode directly into the bank account as designated; Shareholders are requested to send required details to the share registrar of the Company **before Oct 27, 2018,** failing which the Company will be constrained to withhold dividend payments.
   c. Valid and legible copies of National Tax Number (NTN) or NTN Certificate(s) of corporate entities and must quote the company name and their respective folio numbers thereon while sending the copies.
   d. Pursuant to requirement of the Finance Act, 2016-17 Section 150 of the Income Tax Ordinance 2001, the 'Filer' & 'Non-Filer' shareholders will pay tax on dividend income @15% and 20% respectively. Therefore, please ensure that their name(s) have been entered into Active Taxpayers List (ATL) provided on website www.fbr.gov.pk of the Federal Board of Revenue (FBR), despite the fact that the shareholder is a filer, before the payment date of cash dividend i.e. **November 10, 2018**, otherwise tax on cash dividend will be deducted @20 % instead of 15%.
   e. As per clarification of FBR, each shareholder is to be treated individually as either a 'Filer' or 'Non-Filer' and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing within 10 days from entitlement date i.e. October 17, 2018 as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

| **Folio/CDCA/c #** | **Total Shares** | **Principal Shareholder** | | **Joint Shareholder** | |
|---|---|---|---|---|---|
| | | Name & CNIC No. | Shareholding Proportion (No. of Shares) | Name & CNIC No. | Shareholding Proportion (No. of Shares) |

   f. Related reference from law or valid tax exemption certificate issued by the concerned Commissioner of Inland Revenue is to be furnished to the Company / Share Registrar in order to avail tax exemption otherwise tax will be deducted under the provisions of laws.
   g. For any query / information, the shareholders may contact with the Company Secretary at the above Head Office and / or Mr. Abdul GhaffarGhaffari of Share Registrar, Vision Consulting Ltd, 3-C,

LDA Flats, Lawrence Road, Lahore, Ph. Nos. (042) 36283096-97.

h. The audited financial statements for the year ended June 30, 2018 are available on website of the Company <www.fazalcloth.com>.

i. **Zakat Declaration**
The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Usher Ordinance, 1980.

j. **E-Voting**
Shareholders can exercise their right to demand a poll subject meeting requirements of section 143-145 of the Companies Act, 2017 and applicable clauses of companies (Postal Ballot) Regulations 2018

k. **Unclaimed Dividend & Bonus Shares**
Shareholders, who by any reasons, could not claim their dividend or bonus shares or did not collect their physical shares, if any, are advised to contact our share registrar M/s. Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore,

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 27, 2018.

**STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017 – REGARDING SPECIAL BUSINESS :**

1) **Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established;**
Fatima Energy Limited ("FEL") is Associated Undertaking based on following common directorship.
1. Mr. Rehman Naseem 2. Mr. Faisal Ahmed 3. Mr. Fazal Ahmed Sheikh 4. Mr. Fahd Mukhtar

2) **Amount of loans or advances**
UptoRs 2,000 Million ( Rs Two Thousand Million Only)

3) **Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances;**
To facilitate the Investee Company financially for establishing, construction, functionality and operations of 120 MW co-generation Power plant. Further the Company will earn markup from Investee Company on such loan amount. Furthermore being sponsor the Company will be entitled for potential dividends in future once investee company becomes operational.

4) **In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof;**

Rs. 500 million in accordance with shareholder approval dated May 30, 2017. Markup also has been charged.

5) **Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements;**

Based on latest unaudited financial statements, for year ended June 30, 2018, Total Assets are Rs. 28,344 Million, Total Liabilities are Rs. 22,115 Million and Loss after tax is Rs. 120.2 Million.

6) **Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period;**

KIBOR + 1 %

7) **Rate of interest, mark up, profit, fees or commission etc. to be charged;**

Average Borrowing Cost of the Company plus 0.25% to be reset at the end of each half year. For the current half year it shall be one month KIBOR +1.5%.

8) **Sources of funds from where loans or advances will be given;**
The loan will be made from internal cash generations of the Company.

9) **Where loans or advances are being granted using borrowed funds,-**
N/A

10) **If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;**
The loan does not carry conversion feature.

11) **Repayment schedule and terms of loans or advances to be given to the investee company;**
The loan will be repayable within ten years of itsdisbursement in 20 Semi-annually Installments first installment to be due on 30 June or 31 December next falling after CoD. In case the repayment is not paid in due time additional markup at rate of 1% will be charged on the over due amount till repayment. Loan is un-secured.

12) **Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment;**
As stated in point 7 & 11 above

13) **Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;**

The Directors have no special interest except their personal shareholding.

14) **Any other important details necessary for the members to understand the transaction; and**
None

**15) In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely,-**

**I. <u>a description of the project and its history since conceptualization;</u>**

Fazal Cloth Mills Ltd ("FCML") along with Reliance Weaving Mills Limited ("RWML"), Fatima Holdings Limited and Fazal Holdings Pvt Ltd, associated companies (collectively the "Sponsors"), intends to set up a 120 MW co-generation power project (the "Project"). For this purpose FEL, a special purpose company, established to generate and supply of Electricity on fuel of baggage and imported coal. Project will be operated as Independent Power Producer ("IPP"). Project will play a considerable role in eliminating the energy shortfall in the Country.

**(II)<u>Construction starting date:</u>**February 10, 2014; Expected completion date: End of year 2018

**III. <u>Time by which such project shall become commercially operational;</u>**

End of year 2018

**IV. Expected time by which project shall start return**

End of year 2018

**V. <u>Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts</u>**;

The loan will be made on cash basis.

**16) Earnings per share of last three years**

June 30, 2016 Rs. (.09) / share
June 30, 2017 Rs. (.104) / share
June 30, 2018 Rs. (0.21) / share

**17) Breakup Value per share**

Rs. 9.5 approximately.

**18) Performance review of investment already made**

137,421,349 shares issued against equity investment of Rs. 1374 M

BY ORDER OF THE BOARD

Sd/-
**Asad Mustafa**
Company Secretary

<u>MULTAN.</u>
Dated: October 05, 2018.

## Statement UnderRule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

| Name of Investee company | Fatima Transmission Company Limited (FTCL) | | Fatima Energy Limited (FEL) | Pakarab Energy Limited (PEL) |
|---|---|---|---|---|
| **Total investment approved** | Rs. 300 Million loan was approved in AGM on October 31, 2015 and will be repayable within one year from date of disbursal | The approval from shareholders to enter into SSA obtained in Annual General meeting of the Company held on October 31, 2016. As per SSA the Company as sponsor commits the NIB, in case of default by FTCL, to pay amount outstanding.<br>Further, terms and conditions with FTCL in case of fulfillment of such guarantee were approved by the shareholders on March 25, 2017. | The approval from shareholders to enter into SSA obtained in EOGM of the Company held on May 30, 2017. As per SSA the Company as sponsor commits to lenders of FEL, in case of default by FEL, to pay amount outstanding uptoRs 9028 million. | Rs. 3,000 Million Equity investment (approx. 24 % of total paid-up capital) was approved in EOGM on June 23, 2015 for the period of Three (3) years. |
| **Amount of investment made to date** | Rs 11.76 M | Rs 11.56 M | Rs 557 M | Rs 25.9 M |

## Statement UnderRule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

| Name of Investee company | Fatima Transmission Company Limited (FTCL) | | Fatima Energy Limited (FEL) | Pakarab Energy Limited (PEL) |
|---|---|---|---|---|
| **Reasons for not having made complete investment so far where resolution required it to be implemented in specific time** | Further funds request has not yet been made by the investee company. | Outstanding amount to NIB on behalf of FTCL will be paid in case of default by FTCL or in case any demand by lender of FTCL under SSA . | Outstanding amount to Lenders on behalf of FEL will be paid in case of default by FEL or in case any demand by lender of FEL under SSA . | Partial investment has been made, further investment will be made depending on demand received from investee company |
| **Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.** | As per audited financial statements for the year ended June 30, 2015, the basic earnings per share was Rs. (8.78) / Shares and breakup value of share was Rs. 1.22 / share. As per latest available audited financial statements for the year ended June 30, 2018, the basic earnings per share is Rs. (0.0096) / Shares and breakup value of share is Rs. 9.61 / share. | | As per financial statements for the year ended June 30, 2014, the basic earnings per share was Rs. (703.75) / Share and breakup value of share was Rs. (932.25) / share. As per latest available financial statements for the year ended June 30, 2018, the basic earnings per share is Rs. (0.21) / Shares and breakup value of share is Rs. 9.48 / share. | As per financial statements for the year ended June 30, 2015, total assets of the company were Rs. 335,157, total liabilities were Rs. 383,127 while equity was Rs. (47,970) . As per latest available financial statements for the year ended June 30, 2017, the total assets of the Company are Rs. 145,196,479, total liabilities are Rs. 23,517,667 while equity is Rs. 121,678,812. |

# CHAIRMAN'S REVIEW

I am pleased to present the review on the performance of your Company and its Board for the year ended June 30, 2018 along with effectiveness of the role played by the Board in achieving the Company's objectives.

The Directors of your company are well aware with their responsibilities, under the applicable regulations, for governance of the company in an effective and efficient manner. Evaluation of the board of Directors, that is required under Listed companies (code of Corporate Governance) Regulations, 2017 (the regulations), is aimed to measure the Board overall performance and conduct of the company's affairs in accordance with the best practices of corporate governance. For the year under review, based on the evaluation, the overall performance and effectiveness of the Board has been assessed as satisfactory. During the financial year 2017-18 four Board meetings were convened. The Board has duly formulated a vision and mission statement, is actively involved in formulation of appropriate policies and procedures and ensures due compliance with all the regulatory requirements. It closely monitors the performance of its sub-committees and is committed to uphold and stable operation. During the year, the board considered and approved, among other things, quarterly and annual financial statements, appointments of external auditors, distribution of dividend and financial matters.

The new government has announced that energy, both gas and electricity, will be provided to export oriented industries at regionally competitive prices and refund of taxes and duty drawbacks will be paid on time. It is an extremely welcome decision and a must for sustainable development of Pakistan. Official notification to implement these policies is still waited.

**Mr. Rehman Naseem**
Oct 04, 2018

# Directors Report

**Directors of Fazal Cloth Mills Limited (the Company) are pleased to present annual report of the Company for the year ended 30 June 2018 along with the financial statements and auditors' report thereon.**

## *FINANCIAL REVIEW*

**Financial Performance**

Financial performance of the Company improved during the current year. Profit after tax increased to Rupees 1,213.05 million from Rupees 388.29 million registering an increase of 212.53%. GoP support by way of duty drawback on exports to Zero rate the same and long overdue rationalization of rupee exchange rate were main reasons for increase in profit.

Following is a summary of the key financial numbers:

| Financial Highlights | 2018 | 2017 | Increase / (decrease) |
|---|---|---|---|
| | Rupees in ('000') | Rupees in ('000') | % age |
| Sales – net | 31,288,369 | 26,361,227 | 18.69% |
| Cost of sales | 28,263,749 | 24,605,745 | 14.87% |
| Gross profit | 3,024,620 | 1,755,482 | 72.30% |
| EBITDA | 3,438,867 | 2,227,290 | 54.40% |
| Depreciation | 863,183 | 757,093 | 14.01% |
| Finance cost | 1,134,482 | 878,790 | 29.10% |
| Other income | 542,254 | 443,496 | 22.27% |
| Profit before tax | 1,441,202 | 591,408 | 143.69 % |
| Profit after tax | 1,213,505 | 388,287 | 212.53% |
| EPS | 40.45 | 12.94 | 212.53 % |

Sales of the Company increased by Rupees 4,927.14 million (18.69%) in the current year as compared to the last year. The increase was due to an increase in sales volume and price. Sales during FY 2017-18 were highest in the last five years.

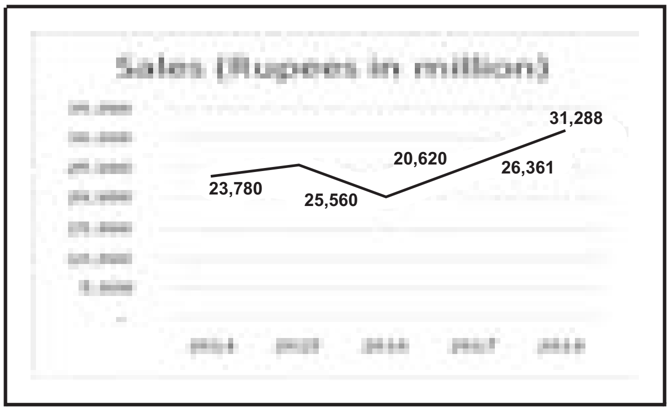
Cost of Sales increased by Rupees 3,658 million (14.87%) in the current year as compared to the last year; mainly due to increase in prices of raw materials and energy costs.

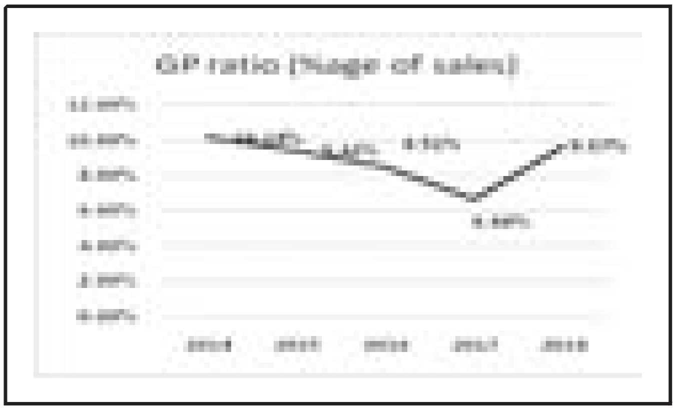
Gross profit ratio increased to 9.67% in the current year as compared to 6.66% in the last year.

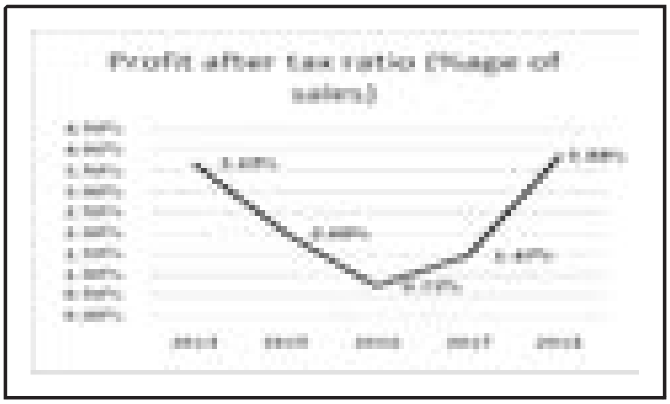
The Company received dividend income of Rupees 156.41 million during the year as compared Rupees 226 million during the last year.

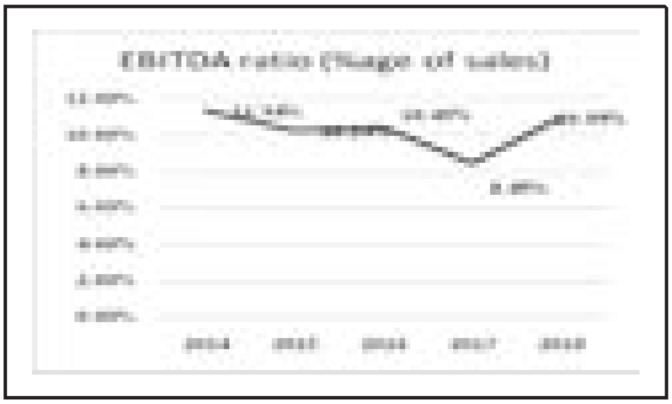
EBITDA of Rupees 3,438.86 million was generated as compared to Rupees 2,227.29 million last year. EBITDA per share is Rupees 114.63 (2017: Rupees 74.23).

Finance cost of the Company recorded an increase of 29.10% in the current year as compared to the last year. The main reasons for increase were increase in working capital requirements due to increase in raw material prices and reduction in use of cheaper rate foreign currency short terms loans against exports.



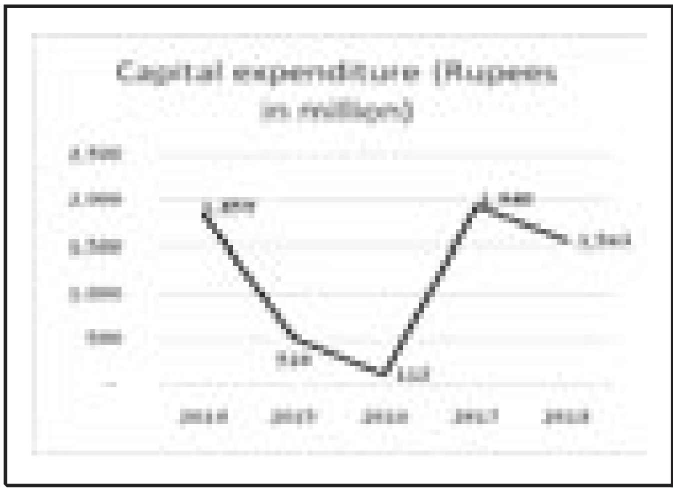



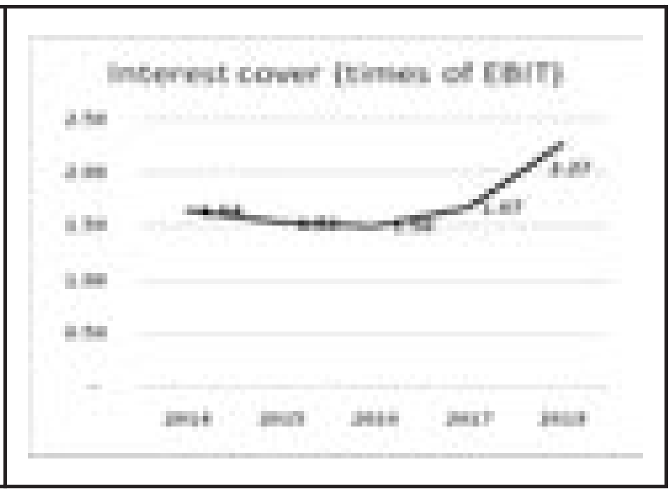




**Capital Expenditure**

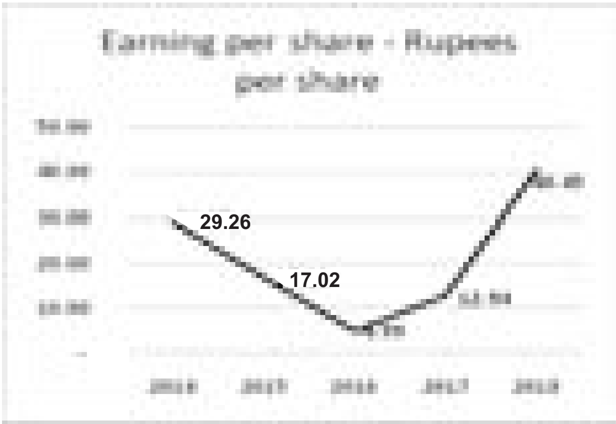
The Company incurred Capital Expenditure of Rupees 1,563 million during the year for modernization and expansion of its plant.

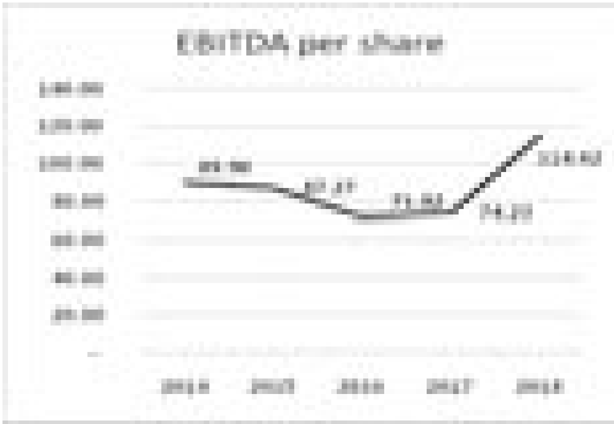



**Earnings per Share (EPS)**

EPS of the Company increased Rupees 40.45 per during the year compared to Rupees 12.94 per share last year.




***FUTURE OUTLOOK***

The new government has announced that energy, both gas and electricity, will be provided to export oriented industries at regionally competitive prices and refund of taxes and duty drawbacks will be paid on time. It is an extremely welcome decision and a must for sustainable development of Pakistan. Official notification to implement these policies is still awaited.

It is also hoped that a market based determination of exchange rate will continue instead of GoP intervention to hold it at unrealistic values.

If the above policies are implemented your management remain hopeful of achieving consistently higher profits

Your Directors and Chief Executive Officer, and their spouses and minor children have made following transactions in the Company's shares:

| Description | Sh. Naseem Ahmad & Mst. Nishat Naseem | Amir Naseem Sh,Mrs. Mahnaz Amir Sh. & Minor Children | Rehman Naseem & Minor Children | Fazal Ahmad Sheikh & Minor Children | Fahd Mukhtar | Faisal Ahmed & Minor Children |
|---|---|---|---|---|---|---|
| Balance as on 01 - 07-2017 | 8,820 | 2,930,552 | 3,101,320 | 4,067,550 | 579,715 | 4,067,550 |
| Purchase | - | - | - | - | - | - |
| Bonus | - | - | - | - | - | - |
| Inherited | - | - | - | - | - | - |
| Received as Gift | - | - | - | - | - | - |
| Transferred as gift | - | - | - | - | - | - |
| Sold | - | - | - | - | - | - |
| **Closing Balance as on 30 -06-2018** | **8,820** | **2,930,552** | **3,101,320** | **4,067,550** | **579,715** | **4,067,550** |

During the year 2017-2018, four board meetings were held which were attended as follows:

| Names of Directors | Designation | BOD Meeting | HR&R Meeting | Audit Committee Meeting |
|---|---|---|---|---|
| Sheikh Naseem Ahmad | Chief Executive Officer | 4 | - | - |
| Rehman Naseem | Chairman | 4 | - | 4 |
| Fazal Ahmed Sheikh | Director | 2 | - | - |
| Faisal Ahmed | Director | 3 | 2 | - |
| Fahd Mukhtar | Director | 2 | - | 2 |
| Mr. Amir Naseem Sheikh | Director | 3 | 2 | - |
| Mr. Babar Ali | independent Director | 4 | 2 | 4 |

### *SAFETY, HEALTH & ENVIORNMENT*

The Company is committed to provide a safe, injury-free workplace where everyone is healthy, energized and protects the society. EHS remains a priority for the Company at all levels and this year we focused on bringing an attitudinal change in the EHS culture by creating awareness and providing strong feedback on safety performance.

### *RISK MANAGEMENT*

The Company is exposed to operational, financial and compliance risk which are mitigated through effective risk management framework, coupled with our internal controls, helps us maintain our focus on managing the potential risks affecting our business.

### *CORPORATE SOCIAL RESPONSIBILITY (CSR)*

The Company considers CSR as a fundamental responsibility and strives to be a good corporate citizen. The Company contributes to society by supporting public health and education facilities.

### *CORPORATE GOVERNANCE:*

**Best Corporate Practices**

Directors are committed to good corporate governance and comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Rule Book of Pakistan Stock Exchange. The statement of compliance with the CCG is enclosed.

1. The total number of directors is seven as per the following:
   a. Male: Seven
   b. Female: Nil
2. The composition of Board is as follows:

| Category | Names |
|---|---|
| Independent Director | 1. Mr. Babar Ali |
| Non-Executive Directors | 2. Mr. Rehman Naseem<br>3. Mr. Aamir Naseem Sheikh<br>4. Mr. Faisal Ahmed<br>5. Mr. Fahd Mukhtar |
| Executive Directors | 6. Mr. Sh. Naseem Ahmad<br>7. Mr. Fazal Ahmed Sheikh |

3. The board has formed committees comprising of members given below:

| Name of Committee | Name of Members and Chairman |
|---|---|
| Audit Committee | 1. Mr. Babar Ali (Independent Director) Chairman<br>2. Mr. Rehman Naseem – Member<br>3. Mr. Fahd Mukhtar– Member |
| Human Resource and Remuneration Committee | 1. Mr. Babar Ali (Independent Director) Chairman<br>2. Mr. Aamir Naseem Sheikh– Member<br>3. Mr. Faisal Ahmed – Member |

4. Non-executive and Independent directors are entitled only to a fee for attending company's meeting.

**Directors' Statement**

Following is the Directors' statement on Corporate and Financial Reporting framework:

- The financial statements for the year ended June 30, 2018, present fairly the state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2018 and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of

- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2018 and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is no doubt about the Company to continue as going concern;
- There has been no material departure from best practices of corporate governance as detailed in listing regulations;

***Contribution to National Exchequer and Economy***

As an export based entity, The Company has earned precious foreign exchange of USD 107.186 million during the current year. In addition to that, the Company contributed Rupees 460.72 million towards national exchequer by way of income taxes, sales tax, custom duties, export development surcharge, cotton cess, social security and EOBI contribution. The Company is also acting as withholding agent for FBR. As a withholding agent, the Company collected and deposited income taxes amounting to Rupees 173.14 million.

***PATTERN OF SHAREHOLDING:***

The pattern of shareholding as on June 30, 2018 is annexed.

***DIVIDEND ANNOUNCEMENT***

Your Directors have proposed to distribute 85% cash dividend (2017: 52.5% cash dividend).

***SUBSIDIARY COMPANY***

The Company has also annexed its consolidated financial statements along with separate financial statements in accordance with the requirements of International Financial Reporting Standards and Companies Act, 2017.

Following is a brief description of subsidiary company of Fazal Cloth Mills Limited:

The Company owns 100.00% shares of it's subsidiary Fazal Weaving Mills Limited.

FWML was incorporated in Pakistan in 1989 as a Public Limited company under the Companies Ordinance, 1984 and commenced its commercial production on April 01, 2014. The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is engaged in the manufacture and sale of yarn. The manufacturing facility of the Company is located at Mauza Khairabad Qadir Pur Rawan By Pass, Khanewal Road, Multan in the province of Punjab.

***AUDITORS:***

M/s. KPMG Taseer Hadi & Co., Chartered Accountants, auditors of the Company retires and being eligible offers themselves for reappointment for the year 2018-2019.

***MANAGEMENT/LABOUR RELATIONS:***

The management/labour relations remained warm and cordial throughout the year under review. We place great importance on our employees. We continue to invest in the professional development and improvement of skills of our human resources, since we believe that by investing in our people we invest in our future. Company's human resource policy is based on the underlying values of fairness, merit, equal opportunity and social responsibility. Complying with our human resource policies we do not hire any child labour. The employees and management of the company continued to make joint efforts to keep up high standards of productivity. Relationship of management and employees continued to remain in total harmony. The board wishes to place on record its deep appreciation to all of them for their hard work and dedication to achieve these results.

MULTAN.
Dated: October 04, 2018.

Sd/-
**(Rehman Naseem)**
(Director)

# ڈائریکٹرز رپورٹ

فضل کلاتھ ملزلمیٹڈ (کمپنی) کے ڈائریکٹرز کمپنی کی سالانہ رپورٹ برائے سال 30 جون 2018 پیش کررہے ہیں۔

## کمپنی کا مالیاتی جائزہ

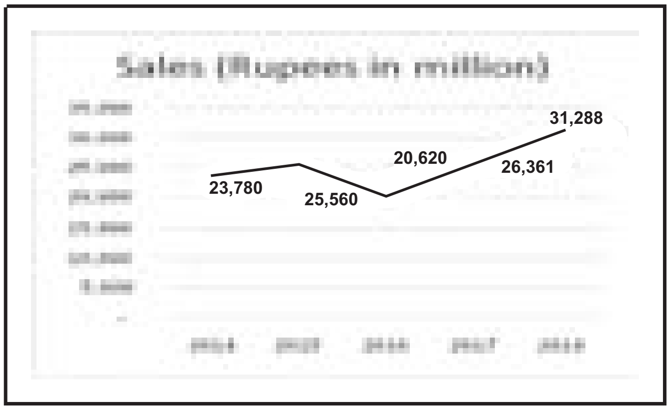
کمپنی کی مالیاتی کارگردگی رواں سال سخت مقابلے اور زیادہ پیداواری لاگت کے باوجود بہترین رہی رواں سال منافع بعداز ٹیکس 1,213.05 ملین روپے رہا جوکہ پچھلے مالی سال میں388.29 ملین روپے تھالہذا اضافہ %212.53 فی صد رہا۔منافع کی ایک وجہ برآمدات پر حکومت پاکستان کی طرف سے ڈیوٹی کی واپسی بھی تھی۔

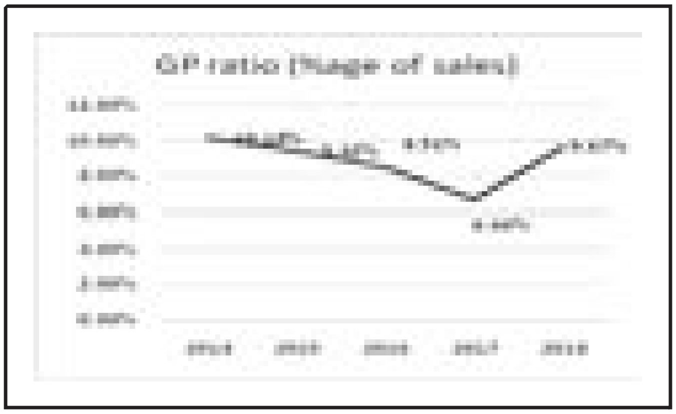
نمایاں مالیاتی اعداد درج ذیل ہیں۔

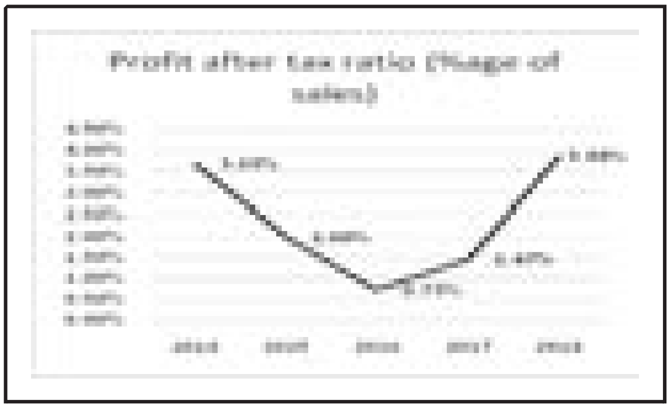
| | 2018 Rs. (000) | 2017 Rs.(000) | اضافہ / کمی فی صد |
|---|---|---|---|
| فروختگی ۔خالص | 31,288,369 | 26,361,227 | 18.69% |
| فروختگی کی لاگت | 28,263,749 | 24,605,745 | 14.87% |
| گراس منافع | 3,024,620 | 1,755,482 | 72.30% |
| فرسودگی اور مالیاتی اخراجات سے پہلے کا منافع | 3,438,867 | 2,227,290 | 54.40% |
| فرسودگی | 863,183 | 757,093 | 14.01% |
| مالیاتی خرچہ | 1,134,482 | 878,790 | 29.10% |
| دوسری آمدن | 542,254 | 443,496 | 22.27% |
| منافع قبل از ٹیکس | 1,441,202 | 591,408 | 143.69% |
| منافع بعداز ٹیکس | 1,213,505 | 388,287 | 212.53% |

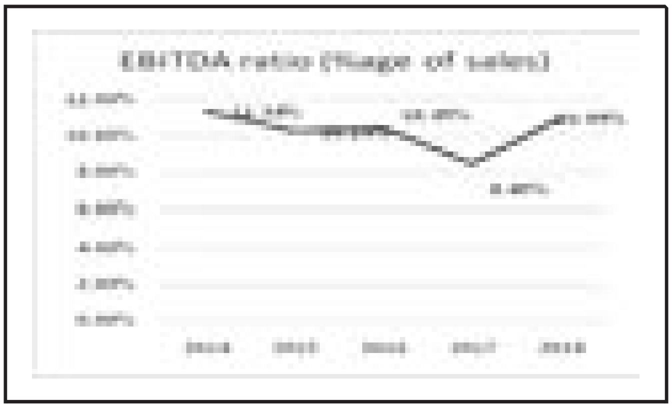
رواں سال کمپنی کی فروختگی میں 4,927.14 ملین روپے اضافہ ہوا جو پچھلے سال کی نسبت 18.69 فی صد ہے۔اضافہ کی بنیادی وجہ قیمتوں اور فروختگی کی مقدار میں اضافہ ہے رواں سال فروختگی پچھلے پانچ سالوں میں بلندترین سطح پر رہی۔ رواں سال فروختگی کی لاگت میں3,658 ملین روپے اضافہ ہوا جو پچھلے سال کی نسبت 14.87 فی صد رہا۔اس کی بنیادی وجہ خام مال کی قیمت میں اضافہ اور بجلی کی فی یونٹ لاگت میں اضافہ تھا۔ گراس منافع میں 9.67 فی صد اضافہ رہا جبکہ پچھلے سال یہ 6.66 فی صد تھا۔

رواں سال کمپنی کو ڈیوڈنڈ پر آمدن 156.41 ملین روپے رہی جو کہ پچھلے سال226 ملین روپے تھی۔رواں سال فرسودگی اور مالیاتی اخراجات سے پہلے کا منافع 3,438.86 روپے رہا جو پچھلے سال 2,227.29 ملین روپے تھا۔فی حصص منافع 114.63 روپے رہا جو کہ 2017 میں 74.23 روپے تھا۔رواں سال کمپنی کی مالیاتی لاگت میں 29.10 فی صد اضافہ رہا جس کی بنیادی وجہ خام مال کی قیمت میں اضافہ اور کم مالی لاگت والے قرضوں کے استعمال میں کمی ہے۔



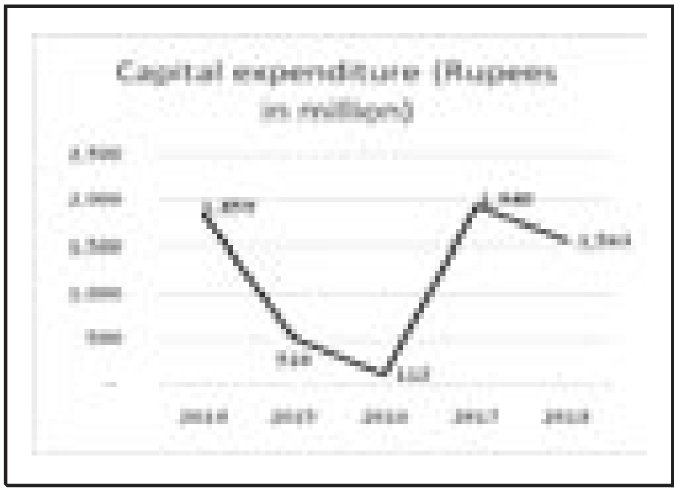



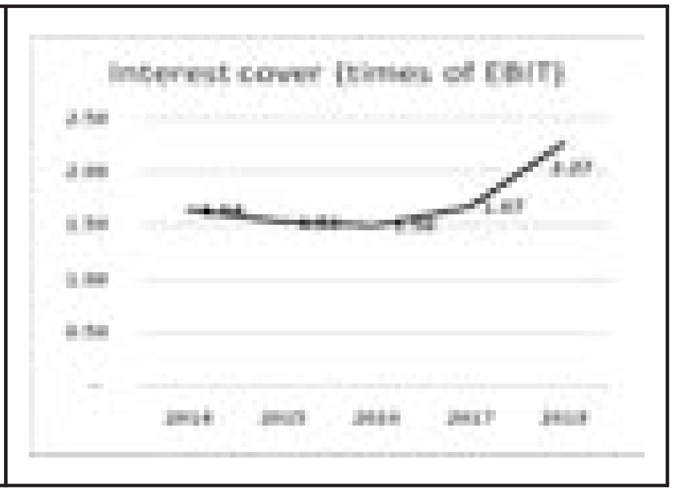




## کیپیٹل اخراجات

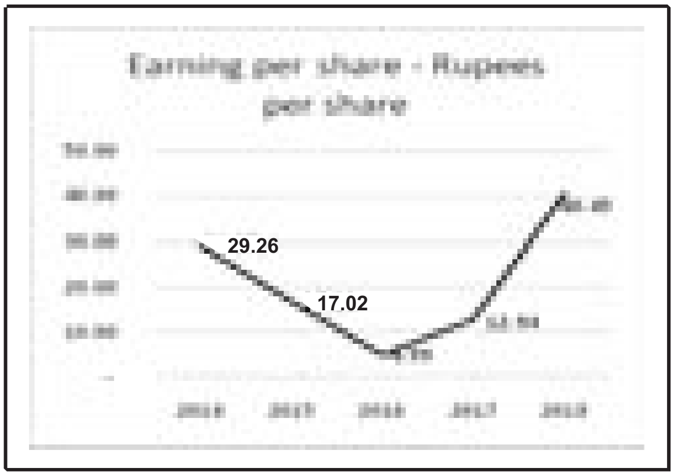
رواں سال کمپنی نے 1,563 ملین روپے کیپیٹل اخراجات کی مد میں خرچ کیے۔ان اخراجات کا زیادہ تر دھاگہ کی پیداوار کی مشین کی بہتری اور بڑھوتری پر خرچ ہوا۔



## فی حصص آمدن

رواں سال فی حصص آمدن میں اضافہ 40.45 روپے تک رہی جو کہ پچھلے سال 12.94 روپے تھی۔





## مستقبل کے نقطہ نظر سے ٹیکسٹائل کا کاروبار

نئی حکومت نے برآمدات کی صنعت کو کم قیمت پر گیس اور بجلی کی فراہمی کا اعلان کیا ہے۔اور اس کے ساتھ ٹیکس اور ڈیوٹی ڈرابیک کی بھی وقتی واپسی کا اعلان کیا ہے۔اس اعلان کا خیر مقدم کیا جاتا ہے۔البتہ اس کے لاگو ہونے کا انتظار ہے۔اگر مندرجہ بالا پالیسیاں لاگو ہوتی ہیں تو انتظامیہ مستقبل میں زیادہ منافع کی توقع رکھتی ہے

کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو، چیف فائینینشل آفیسر، انکی اہلیہ اور بچوں کی کمپنی کے حصص میں تفصیلات درج ذیل ہیں

| تفصیلات | شیخ نسیم احمد اور مسز نگہت نسیم | مسز مہناز عامر شیخ، عامر نسیم شیخ اور بچے | رحمان نسیم اور بچے | فضل احمد شیخ اور بچے | فہد مختار | فیصل احمد اور بچے |
|---|---|---|---|---|---|---|
| تعداد 01.07.2017 | 8,820 | 2,930,552 | 3,101,320 | 4,067,550 | 579,715 | 4,067,550 |
| خرید | - | - | - | - | - | - |
| بونس | - | - | - | - | - | - |
| وراثت | - | - | - | - | - | - |
| گفٹ کے طور پر ملے | - | - | - | - | - | - |
| گفٹ کے طور پر منتقل کیے | - | | - | - | - | - |
| فروخت کیے | - | | - | - | - | - |
| تعداد 30.06.2018 | 8,820 | 2,930,552 | 3,101,320 | 4,067,550 | 579,715 | 4,067,550 |

-　　　　-

بورڈ آف ڈائریکٹرز کی سال کے دوران چار میٹنگ ہوئی۔ ہر ایک کی حاضری درج ذیل ہے۔

| نام | عہدہ | بورڈ میٹنگ | ایچ آر اور آر کمیٹی | آڈٹ کمیٹی |
|---|---|---|---|---|
| شیخ نسیم احمد | چیف ایگزیکٹو آفیسر | 4 | - | - |
| رحمان نسیم | چیئرمین | 4 | - | 4 |
| فضل احمد شیخ | ڈائریکٹر | 2 | - | - |
| فیصل احمد | ڈائریکٹر | 3 | 2 | - |
| فہد مختار | ڈائریکٹر | 2 | - | 2 |
| عامر نسیم شیخ | ڈائریکٹر | 3 | 2 | - |
| بابر علی | آزاد ڈائریکٹر | 4 | 2 | 4 |

# کارپوریٹ گورننس

**بہترین کارپوریٹ طریقے:**

ڈائریکٹرز بہترین کارپریٹ طریقوں کو اپنانے کیلئے پرعزم ہیں۔

(i) ڈائریکٹرز کی کل تعداد سات ہے جو سب مرد ہیں۔

(ii) بورڈ کے اندر ایک آزاد، چار نان ایگزیکٹو اور دو ایگزیکٹو ڈائریکٹرز ہیں۔

(iii) آڈٹ کمیٹی میں مسٹر بابر علی (آزاد)، مسٹر رحمان نسیم شیخ اور مسٹر فہد مختار شامل ہیں اور ہیومن ریسورس کمیٹی میں مسٹر بابر علی (آزاد)، مسٹر عامر نسیم شیخ اور مسٹر فیصل احمد مختار شامل ہیں۔

(iv) نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹر صرف میٹنگ فیس کے حق دار ہیں۔

# ڈائریکٹرز کا بیان

کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے ڈائریکٹرز، رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔

- کمپنی کی انتظامیہ کی طرف سے تیار شدہ مالیاتی سٹیٹمنٹس برائے سال 30 جون 2018, معاملات کی حالت، آپریشن کے نتائج، کیش فلو اور ایکوٹی کے متعلق صحیح طور پر بتاتی ہیں۔
- کمپنی کے اکاؤنٹس کو مناسب طریقے میں کیا گیا ہے۔

- مالیاتی سٹیٹمنٹس کی تیاری تسلسل کے ساتھ متعلقہ اکاؤنٹنگ پالیسی کے تحت ہے اور اکاؤنٹنگ حسابات، مناسب اور محتاط فیصلہ پر کیے گئے ہیں۔
- عالمی مالیاتی رپورٹنگ معیارات جو کہ پاکستان میں لاگو ہیں انہیں مالیاتی سٹیٹمنٹس کی تیاری میں اپنایا گیا ہے۔
- کمپنی کے اندرونی کنٹرول میں موثر تریقے سے عمل درآمد اور نگرانی کی گئی ہے۔
- بورڈ مطمئن ہے کہ کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے کام میں بہتری ہے اور کمپنی مزید کام کر سکتی ہے۔
- سٹاک ایکسچینج کے لسٹنگ ریگولیشن کے تحت کارپوریٹ گورننس کے احسن طریقوں کو اپنانے میں بڑا فرق نہیں ہے۔

## ملکی معیشت اور قومی خزانے میں حصہ داری

برآمد کندگان کی حیثیت میں کی نے رواں سال میں 107.186 ملین ڈالر زرِمبادلہ کمایا۔ علاوہ ازیں کمپنی نے قومی خزانے میں 460.72 روپے انکم / سیلز ٹیکس، کسٹم ڈیوٹی، سرچارج، کاٹن سس شوشل سکیورٹی اور ای او بی آئی کی مد میں دیئے۔ FBR میں کمپنی ودھولڈنگ ایجنٹ کا کردار ادا کر رہی ہے اور اس کردار کے تحت کمپنی نے 173.14 روپے انکم ٹیکس میں جمع اور اکٹھے کیے۔

## صحت مند اور پُر تحفظ ماحول

کمپنی کام کرنے کی جگہ پر موجود ہر انسان کو صحت منداور پُر تحفظ ماحول فراہم کرنے میں پُرعزم ہے۔

## رسک (خطرہ) مینیجمنٹ

کمپنی کو مالی، آپریشنل و دیگر خطرات کا سامنہ ہے اور اس کو قابو کرنے کیلیے کمپنی نے موثر اندرونی کنٹرولز پر مشتمل نظام ترتیب دیا ہے۔

## کمپنی کی سماجی ذمہ داری

کمپنی اپنی سماجی ذمہ داریوں کو سمجھتے ہوئے ایک اچھا کارپوریٹ شہری بننے کیلیئے کوشاں ہے کمپنی اپنی اس ذمہ داری کا احساس کرتے ہوئے تعلیم اور صحت کی مختلف پبلک سکیمز میں مالی طور پر حصہ ڈالتی ہے۔

# شئیر ہولڈنگ پیٹرن

عمومی شئیر ہولڈنگ پیٹرن برائے سال 30 جون 2018 کوڈ آف کارپوریٹ گورننس کے مطابق منسلک کیا گیا ہے۔

# منافع منقسمہ

بورڈ آف ڈائریکٹرز نے منافع منقسمہ برائے سال 30 جون 2018 کیلیے 8.5 روپے فی شئیر تجویز کیا ہے۔

# Subsidiary کمپنی اور یکی مالیاتی سٹیٹمنٹ

کمپنی کی اپنی مالیاتی سٹیٹمنٹس سمیت یکجا مالیاتی سٹیٹمنٹس، عالمی اکاؤنٹنگ معیار 27 اور کمپنی آرڈیننس 1984 کے مطابق منسلک ہیں۔ فضل کلاتھ ملز لیمٹیڈ کی Subsidiary کمپنی کا مختصر تعارف درج ذیل ہے۔

Subsidiary کمپنی کا رجسٹرڈ آفس 69/7 عابد مجید، مکان نمبر 248/7 ، لاہور کینٹ میں واقع ہے۔جبکہ فیکٹری قادر پورراواں بائی پاس، خانیوال روڈ پر واقع ہے۔کمپنی کا بنیادی کاروبار ٹیکسٹائل دھاگہ کی پیداوار اور فروختہے ۔ فضل کلاتھ ملز لمیٹڈ Subsidiary کمپنی میں 100 فیصد شیئر ہولڈنگ کی مالک ہے۔Subsidiary کمپنی کا قیام 1989 میں پبلک کمپنی کے طور پر ہوا اور اس نے اپریل 2014 میں پیداوار کا آغاز کیا۔

## آڈیٹرز کی تعیناتی

میسرز KPMG Taseer Hadi & Co، چارٹرڈ اکاؤنٹنٹس فرم نے کمپنی کے ساتھ اپنی تقرری کی مدت مکمل کی ہے اور اہل ہونے کے ساتھ اپنی خدمات کو اگلی مدت 19-2018 کے لیے پیش کیا ہے۔

## انتظامیہ اور لیبر کے تعلقات

انتظامیہ کے مزدوروں کے ساتھ تعلقات بھرپور اور پرجوش ہے۔اور اسکی وجہ ہماری ملازم طبقہ پر خاص توجہ ہے۔ہم ملازم طبقہ کی مہارت/Skills کو بڑھانے کے لیے مسلسل رقم خرچ کرتے ہیں۔کمپنی کی ہیومن ریسورس میرٹ اور برابری کی بنیاد پر ہے اور ہم چائلڈ لیبر پر یقین نہیں رکھتے اور بچوں کو ملازمت اور مزدوری پر نہیں رکھتے۔ پیداوار کے معیار کو بڑھانے کے لیے انتظامیہ اور ملازم طبقہ مل کر کوشش کر رہے ہیں اور ان کے آپس کے تعلقات میں ہم آہنگی ہے۔

بورڈ بہتر نتائج کے حصول کیلئے انتظامیہ اور ملازم طبقہ کی محنت اور کوششوں کو سراہتا ہے۔

بورڈ کی طرف سے

رحمان نسیم

ڈائریکٹر

اکتوبر 04، 2018

## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Company : Fazal Cloth Mills Limited

Year Ended : 30 June 2018

The company has complied with the requirements of the regulations in the following manner:

1. The total number of directors is seven as per the following:

   a. Male: Seven

   b. Female: Nil

   The requirement of minimum number of female and independent Directors on the Board would be complied by within the time allowed by these Regulations.

2. The composition of Board is as follows:

| Category | Names |
|---|---|
| Independent Director | 1. Mr.Babar Ali |
| Non-Executive Directors | 2. Mr. Rehman Naseem<br>3. Mr. Aamir Naseem Sheikh<br>4. Mr. Faisal Ahmed<br>5. Mr. Fahd Mukhtar |
| Executive Directors | 6. Mr. Sh. Naseem Ahmad<br>7. Mr. Fazal Ahmed Sheikh |

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company. Further under the 2017 code, the maximum number of directorship in listed companies a person can hold has been reduced to 5. As per the proviso to regulation 3 of the 2017 code, grace period of one year has been prescribed to comply with this requirement.

4. 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.

5. 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.

6. All the powers of the Board have been duly exercised and decisions on material relevant matters have been taken by the board/shareholders as empowered by the relevant provisions of the act and these regulations.

7. The meetings of the Board of Directors were presided over by the Chairman and, in his 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 meeting of the Board.

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

9. Four members of the Board have requisite education and experience on the Board(s) of listed companies and are exempt from Directors' Training Program for which SECP's approval would be obtained within time allowed in these regulations.

10. The Board has approved appointment of 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.

11. CFO and CEO duly endorsed the financial statements before the approval of the board.

12. The board has formed committees comprising of members given below:

| Name of Committee | Name of Members and Chairman |
|---|---|
| Audit Committee | 1. Mr. Babar Ali (Independent Director) Chairman<br>Mr. Rehman Naseem – Member<br>3. Mr. Fahd Mukhtar– Member |
| Human Resource and Remuneration Committee | 1. Mr. Babar Ali (Independent Director) Chairman<br>2. Mr. Aamir Naseem Sheikh– Member<br>3. Mr. Faisal Ahmed – Member |

13. The term of reference of the aforesaid committee have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of along with other details are as follow;

| Audit Committee Meetings | | | |
|---|---|---|---|
| **Name of committee member** | **Designation** | **Number of meeting held** | **Meeting attended** |
| Mr. Babar Ali | Chairman (Independent Director) | 4 | 4 |
| Mr. Rehman Naseem | Member | 4 | 4 |
| Mr. Fahd Mukhtar | Member | 4 | 2 |

| Human Resource and Remuneration Committee | | | |
|---|---|---|---|
| **Name of Committee Member** | **Designation** | **Number of meeting held** | **Meeting Attended** |
| Mr. Babar Ali | Chairman (Independent Driector) | 2 | 2 |
| Mr. Aamir Naseem Sheikh | Member | 3 | 2 |
| Mr. Faisal Ahmad | Member | 3 | 2 |

Mr. Babar Ali was appointed as chairman of Human Resource and Remuneration Committee on 23 February2018.

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactoryrating under the quality control review program of the Institute of Chartered Accountants ofPakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of thepartners of the firm, their spouses and minor children do not hold shares of the Company andthat the firm and all of its partners are in compliance with International Federation ofAccountants (IFAC) guidelines on code of ethics as adopted by ICAP .

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the regulations have been complied with.

**On behalf of the Board of Directors**

**(REHMANNASEEM)**

Multan: October 4, 2018

# INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of Fazal Cloth Mills Limited**

**Review Report on the Statement of Compliance contained in 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 Fazal Cloth Mills Limited ("the Company") for the year ended 30 June 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.

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

**Lahore**

**Date : October 04, 2018**

**KPMG Taseer Hadi & Co**
**Chartered Accountant**
**(Bilal Ali)**

# Fazal Cloth Mills Limited

## Unconsolidated Financial Statements
## for the year ended 30 June 2018

# INDEPENDENT AUDITOR'S REPORT

**To the members of Fazal Cloth Mills Limited**

**Report on the Audit of the Unconsolidated Financial Statements**

***Opinion***

We have audited the annexed unconsolidated financial statements of **Fazal Cloth Mills Limited** ("the Company"), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the unconsolidated 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 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, the statement of 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 30 June 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated 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.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated 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:

<table>
<tr><th>Sr. No.</th><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>01</td><td>Revenue recognition<br><br>Refer to notes 4.18, 28 and 41 to the unconsolidated financial statements.<br><br>The Company principally generates revenue from sale of yarn and fabric to domestic as well as export customers.<br><br>We identified revenue recognition as a key audit matter because it is one of the key performance indicator of the Company and gives rise to an inherent risk of misstatement to meet expectations or targets.</td><td>Our audit procedures, amongst others, included the following:<br><br>• Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls over recording of sales;<br><br>• assessing the appropriateness of the Company's accounting policy for recording of sales and compliance of the policy with applicable accounting standards;<br><br>• comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents;<br><br>• comparing a sample of sale transactions recorded near the year end with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if the sale was recorded in the appropriate accounting period;<br><br>• inspecting on a sample basis, credit notes issued near to and subsequent to year end to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and<br><br>scanning for any manual journal entries relating to sales recorded during and near the year end which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.</td></tr>
<tr><td>02</td><td>Capitalization of property, plant and equipment<br><br>Refer notes 4.2 and 16 to the unconsolidated financial statements.<br><br>The Company has made significant capital expenditure on expansion of manufacturing facilities.<br><br>We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.</td><td>Our audit procedures, amongst others, included the following:<br><br>• obtaining an understanding of and testing the design, implementation and operating effectiveness of management's key internal control over capital expenditure;<br><br>• comparing, on sample basis, the costs incurred on projects with supporting documentation and contracts;<br><br>• assessing the nature of costs incurred for the capital projects for appropriateness by comparing, on sample basis, amounts recorded with underlying documentation and considering that the expenditure meets the criteria for capitalization as per the applicable accounting standards; and<br><br>• inspecting supporting documents for the date of capitalization when project assets were ready for its intended use to assess that depreciation commenced and</td></tr>
</table>

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | | • inspecting on a sample basis, credit notes issued near to and subsequent to year end to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and<br><br>scanning for any manual journal entries relating to sales recorded during and near the year end which were considered to be material or met other specific risk based criteria for inspecting underlying documentation. |
| 03 | **Revaluation of property, plant and equipment**<br><br>Refer notes 4.3, 7 and 16 to the unconsolidated financial statements.<br><br>The Company follows the revaluation model for subsequent measurement of all property, plant and equipment except for office equipment, furniture and fittings and vehicles.<br><br>Latest revaluation was carried out on 28 February 2018. The valuation was performed by an external professional valuer engaged by the Company.<br><br>We identified the revaluation of the Company's property, plant and equipment as a key audit matter because the valuation involves a significant degree of judgment and estimation. | Our audit procedures, amongst others, included the following:<br><br>• obtaining and inspecting the valuation reports prepared by the external expert engaged by the Company and on which the management's assessment of the valuation of property, plant and equipment was based;<br><br>• evaluating the information provided by the Company to the external professional valuer by inspecting the relevant underlying documentation;<br><br>• involving property, plant and equipment valuation expert engaged by us to assist in evaluating the appropriateness of valuation methodology and assessing the reasonableness of key estimates and assumptions adopted in the valuations report by the valuer engaged by the Company; and<br><br>assessing the completeness, appropriateness and adequacy of the disclosures in Company's financial statements with regard to the revaluation performed. |
| 04 | **Valuation of stock in trade**<br><br>Refer notes 4.17 and 20 to the unconsolidated financial statements.<br><br>The balance of gross stock-in trade at 30 June 2018 is Rs. 8,124.20 million.<br><br>We identified valuation of stock in trade as a key audit matter as it involves significant management judgment in determining the carrying value of stock in trade | Our audit procedures, amongst others, included the following:<br><br>• assessing the appropriateness of Company's accounting policy for valuation of stock in trade and compliance of the policy with applicable standards;<br><br>• obtaining an understanding of internal controls over valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness;<br><br>• obtaining an understanding and assessing reasonableness of the management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales and their basis; and<br><br>• comparing the NRV, on a sample basis, to the cost of stock in trade to assess whether any adjustments are required to the value of stock in trade in accordance with the accounting policy. |

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| 05 | **Recoverability of long term advance to and investment in associate**<br><br>Refer notes 17 and 18 to the unconsolidated financial statements.<br><br>Long term advances include advance of Rs 1,057.6 million and investments in associates include investment of Rs 1,374.21 million in Fatima Energy Limited, an unquoted associated undertaking.<br><br>As at 30 June 2018, management conducted an impairment test to assess the recoverability of the carrying value of advance to and investment in associate. This was performed using a discounted cash flow model. | Our audit procedures, amongst others, included the following:<br><br>• discussing with the Company's management key assumptions used in the valuation model and testing the mathematical accuracy of the model;<br><br>• involving our internal valuation specialist to assist us in evaluating the assumptions and judgements adopted by management in its discounted cash flow analysis (i.e. growth rate, terminal values and the discount rate) used to derive the recoverable amount of advance to and investment in associate; and<br><br>• comparing the recoverable amount with the amount of advance and the cost of investment to identify impairment, if any. |

***Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon***

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## ***Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated 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 unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### ***Report on Other Legal and Regulatory Requirements***

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of 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) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Bilal Ali.

**Lahore**

**Date: October 04, 2018**

**KPMG Taseer Hadi & Co**
**Chartered Accountant**
**(Bilal Ali)**

# Unconsolidated Statement of Financial Position

| | Note | 2018 Rupees | 2017 Rupees (Restated) | 2016 Rupees (Restated) |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| ***Share capital and reserves*** | | | | |
| Authorized share capital | | **700,000,000** | 700,000,000 | 700,000,000 |
| Issued, subscribed and paid-up capital | 5 | **300,000,000** | 300,000,000 | 300,000,000 |
| *Capital reserves* | | | | |
| - Others capital reserves | 6 | **1,525,440,947** | 1,606,703,247 | 1,622,451,755 |
| - Revaluation surplus on property, plant and equipment | 7 | **9,574,659,705** | 6,306,367,002 | 6,511,467,057 |
| Unappropriated profits - revenue reserve | | **8,615,376,351** | 7,296,152,237 | 6,782,748,947 |
| | | **20,015,477,003** | 15,509,222,486 | 15,216,667,759 |
| ***Non-current liabilities*** | | | | |
| Long term financing - *secured* | 8 | **7,042,048,037** | 6,068,698,886 | 4,436,247,908 |
| Long term musharika - *secured* | 9 | **1,061,250,000** | 878,750,000 | 1,221,250,000 |
| Deferred liabilities: | | | | |
| - *Staff retirement benefit* | 10 | **252,712,792** | 204,404,551 | 209,641,455 |
| - *Deferred taxation* | 10 | **2,267,972,077** | 2,175,617,785 | 2,069,560,362 |
| | | **10,623,982,906** | 9,327,471,222 | 7,936,699,725 |
| ***Current liabilities*** | | | | |
| Current portion of non-current liabilities | 11 | **1,828,059,070** | 1,749,460,234 | 1,791,723,641 |
| Trade and other payables | 12 | **2,419,520,544** | 1,841,005,043 | 1,940,431,560 |
| Unclaimed dividend | | **8,971,945** | 7,972,261 | 3,198,405 |
| Short term borrowings - *secured* | 13 | **7,953,052,718** | 7,516,146,659 | 3,885,590,245 |
| Accrued mark-up | 14 | **275,093,224** | 249,256,533 | 247,808,813 |
| | | **12,484,697,501** | 11,363,840,730 | 7,868,752,664 |
| **Contingencies and commitments** | 15 | | | |
| | | **43,124,157,410** | 36,200,534,438 | 31,022,120,148 |

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.

**(SHEIKH NASEEM AHMAD)**
**CHIEF EXECUTIVE OFFICER**

**(REHMAN NASEEM)**
**DIRECTOR**

*As at 30 June 2018*

| | Note | **2018 Rupees** | 2017 Rupees | 2016 Rupees |
|---|---|---|---|---|
| **ASSETS** | | | | |
| ***Non-current assets*** | | | | |
| Property, plant and equipment | *16* | **22,331,867,219** | 17,964,030,369 | 16,789,493,325 |
| Long term investments | *17* | **3,742,134,094** | 3,823,396,394 | 3,784,006,152 |
| Long term loan and advances | *18* | **1,636,826,351** | 872,548,045 | 600,000,000 |
| Long term deposits | | **24,071,493** | 24,446,493 | 24,446,493 |
| | | **27,734,899,157** | 22,684,421,301 | 21,197,945,970 |
| ***Current assets*** | | | | |
| Stores, spares and loose tools | *19* | **499,684,798** | 585,091,281 | 424,638,107 |
| Stock-in-trade | *20* | **8,124,450,558** | 6,420,465,744 | 5,112,752,436 |
| Trade debts | *21* | **4,842,378,886** | 4,243,040,569 | 1,901,378,277 |
| Loans and advances | *22* | **142,136,368** | 750,169,337 | 1,433,588,257 |
| Deposits, prepayments and other receivables | *23* | **538,407,396** | 256,749,064 | 82,724,652 |
| Mark-up accrued | *24* | **139,636,009** | 46,240,903 | 59,935,983 |
| Short term investment | *25* | **198,288,000** | 219,658,800 | 221,288,800 |
| Tax refunds due from the Government - net | *26* | **836,318,659** | 878,370,161 | 502,413,719 |
| Cash and bank balances | *27* | **67,957,579** | 116,327,278 | 85,453,947 |
| | | **15,389,258,253** | 13,516,113,137 | 9,824,174,178 |
| | | **43,124,157,410** | 36,200,534,438 | 31,022,120,148 |

**(MUHAMMAD AZAM)**
**CHIEF FINANCIAL OFFICER**

# Unconsolidated Statement of Profit or Loss

*For the year ended 30 June 2018*

| | Note | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| Sales - *net* | *28* | **31,288,368,918** | 26,361,226,748 |
| Cost of sales | *29* | **(28,263,749,232)** | (24,605,744,959) |
| **Gross profit** | | **3,024,619,686** | 1,755,481,789 |
| Selling and distribution expenses | *30* | **(542,642,980)** | (426,687,537) |
| Administrative expenses | *31* | **(320,028,083)** | (264,682,814) |
| Other expenses | *32* | **(128,519,007)** | (37,409,798) |
| | | **(991,190,070)** | (728,780,149) |
| Other income | *33* | **542,254,122** | 443,495,928 |
| **Profit from operations** | | **2,575,683,738** | 1,470,197,568 |
| Finance cost | *34* | **(1,134,481,766)** | (878,789,523) |
| **Profit before taxation** | | **1,441,201,972** | 591,408,045 |
| Taxation | *35* | **(227,696,902)** | (203,121,529) |
| **Profit after taxation** | | **1,213,505,070** | 388,286,516 |
| **Earnings per share - *basic and diluted*** | *36* | **40.45** | 12.94 |

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.

| | | |
|---|---|---|
| **(SHEIKH NASEEM AHMAD)** | **(REHMAN NASEEM)** | **(MUHAMMAD AZAM)** |
| **CHIEF EXECUTIVE OFFICER** | **DIRECTOR** | **CHIEF FINANCIAL OFFICER** |

# Unconsolidated Statement of Comprehensive Income

*For the year ended 30 June 2018*

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| **Profit after taxation** | **1,213,505,070** | 388,286,516 |
| ***Other comprehensive income - net of tax*** | | |
| *Items that will never be reclassified to statement of profit or loss:* | | |
| Re-measurement of defined benefit liability | **(13,120,420)** | (6,063,222) |
| Related tax impact | **2,386,597** | 1,079,941 |
| | **(10,733,823)** | (4,983,281) |
| Revaluation surplus on property, plant and equipment | **3,713,139,051** | - |
| Related deferred tax liability on revaluation surplus on property, plant and equipment | **(288,947,243)** | - |
| | **3,424,191,808** | - |
| *Items that are or may be reclassified subsequently to statement of profit or loss:* | | |
| Net change in fair value of available-for-sale financial assets | **(81,262,300)** | (15,748,508) |
| **Total comprehensive income for the year** | **4,545,700,755** | 367,554,727 |

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.



| | | |
|---|---|---|
| **(SHEIKH NASEEM AHMAD)** | **(REHMAN NASEEM)** | **(MUHAMMAD AZAM)** |
| **CHIEF EXECUTIVE OFFICER** | **DIRECTOR** | **CHIEF FINANCIAL OFFICER** |

# Unconsolidated Statement of Changes in Equity

*For the year ended 30 June 2018*

| | | Capital reserves | | | | Revenue reserve | |
|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital redemption reserve | Fair value reserve | Revaluation surplus on property, plant and equipment | Un-appropriated profits | Total |
| | ------------------------ | ------------------------ | ------------------------ | Rupees | ------------------------ | ------------------------ | ------------------------ |
| **Balance at 30 June 2016, as previously reported** | 300,000,000 | 77,616,000 | 175,000,000 | 1,369,835,755 | - | 6,782,748,947 | 8,705,200,702 |
| Effect of restatement - note 4.1 | - | - | - | - | 6,511,467,057 | - | 6,511,467,057 |
| **As at 30 June 2016 - restated** | 300,000,000 | 77,616,000 | 175,000,000 | 1,369,835,755 | 6,511,467,057 | 6,782,748,947 | 15,216,667,759 |
| ***Total comprehensive income for the year :*** | | | | | | | |
| Profit for the year ended 30 June 2017 | - | - | - | - | - | 388,286,516 | 388,286,516 |
| Other comprehensive loss for the year ended 30 June 2017 | - | - | - | (15,748,508) | - | (4,983,281) | (20,731,789) |
| | - | - | - | (15,748,508) | - | 383,303,235 | 367,554,727 |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax* | - | - | - | - | (204,489,547) | 204,489,547 | - |
| Transfer from revaluation surplus on property, plant and equipment on disposal - *net of tax* | - | - | - | - | (610,508) | 610,508 | - |
| ***Transactions with the owners of the Company :*** | | | | | | | |
| Cash dividend @ Rs. 2.5 per ordinary share for the year ended 30 June 2016 | - | - | - | - | - | (75,000,000) | (75,000,000) |
| **Balance as at 30 June 2017 - brought forward** | **300,000,000** | **77,616,000** | **175,000,000** | **1,354,087,247** | **6,306,367,002** | **7,296,152,237** | **15,509,222,486** |

| | Capital reserves | | | | | Revenue reserve | |
|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital redemption reserve | Fair value reserve | Revaluation surplus on property, plant and equipment | Un-appropriated profits | Total |
| | Rupees | | | | | | |
| **Balance as at 30 June 2017 - carried forward** | **300,000,000** | **77,616,000** | **175,000,000** | **1,354,087,247** | **6,306,367,002** | **7,296,152,237** | **15,509,222,486** |
| ***Total comprehensive income for the year :*** | | | | | | | |
| Profit for the year ended 30 June 2018 | - | - | - | - | - | 1,213,505,070 | 1,213,505,070 |
| Other comprehensive (loss)/ income for the year ended 30 June 2018 | - | - | - | (81,262,300) | 3,424,191,808 | (10,733,823) | 3,332,195,685 |
| | - | - | - | (81,262,300) | 3,424,191,808 | 1,202,771,247 | 4,545,700,755 |
| Effect on deferred tax due to change in tax rate and proportion rate | - | - | - | - | 118,053,762 | - | 118,053,762 |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax* | - | - | - | - | (256,620,529) | 256,620,529 | - |
| Transfer from surplus on revaluation of fixed assets on disposal - *net of tax* | - | - | - | - | (17,332,338) | 17,332,338 | - |
| ***Transactions with the owners of the Company :*** | | | | | | | |
| Cash dividend @ Rs. 5.25 per ordinary share for the year ended 30 June 2017 | - | - | - | - | - | (157,500,000) | (157,500,000) |
| **Balance as at 30 June 2018** | **300,000,000** | **77,616,000** | **175,000,000** | **1,272,824,947** | **9,574,659,705** | **8,615,376,351** | **20,015,477,003** |

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.

**(SHEIKH NASEEM AHMAD)**
**CHIEF EXECUTIVE OFFICER**

**(REHMAN NASEEM)**
**DIRECTOR**

**(MUHAMMAD AZAM)**
**CHIEF FINANCIAL OFFICER**

# Unconsolidated Statement of Cash Flows

*For the year ended 30 June 2018*

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Profit before taxation | | **1,441,201,972** | 591,408,045 |
| *Adjustments for:* | | | |
| Depreciation on property, plant and equipment | *16.1.1* | **863,183,447** | 757,092,607 |
| Unrealized loss on re-measurement of short term investment | *32* | **7,894,800** | 1,630,000 |
| Provision for doubtful debts | *32* | **8,856,467** | - |
| Provision for gratuity | *10.1.3* | **110,624,434** | 84,904,008 |
| Provision for infrastructure cess | | **54,160,838** | 54,774,842 |
| Provision for workers' profit participation fund | *32* | **76,440,221** | 24,725,225 |
| Provision for workers' welfare fund | *32 & 33* | **11,162,227** | (124,867,986) |
| Loss / (gain) on disposal of property, plant and equipment | *32 & 33* | **10,389,043** | (11,419,629) |
| Loss on sale of short term investments | *32* | **818,600** | |
| Dividend income | *33* | **(156,406,569)** | (225,920,601) |
| Finance cost | *34* | **1,134,481,766** | 878,789,523 |
| **Cash generated from operations before working capital changes** | | **3,562,807,246** | 2,031,116,034 |
| ***Effect on cash flows due to working capital changes*** | | | |
| *(Increase) / decrease in current assets:* | | | |
| Stores, spares and loose tools | | **85,406,483** | (160,453,174) |
| Stock-in-trade | | **(1,703,984,814)** | (1,307,713,308) |
| Trade debts | | **(608,194,784)** | (2,341,662,292) |
| Loans and advances | | **608,032,969** | 683,418,920 |
| Deposits, prepayments and other receivables | | **(281,658,332)** | (174,024,412) |
| | | **(1,900,398,478)** | (3,300,434,266) |
| *Increase / (decrease) in current liabilities:* | | | |
| Trade and other payables | | **436,752,225** | (54,058,598) |
| **Cash generated / (used in) from operations** | | **2,099,160,993** | (1,323,376,830) |
| Gratuity paid | *10.1.2* | **(75,436,613)** | (96,204,134) |
| Taxes paid - net | | **(261,798,002)** | (471,940,607) |
| Finance cost paid - net | | **(1,202,040,181)** | (863,646,723) |
| | | **(1,539,274,796)** | (1,431,791,464) |
| **Net cash generated from / (used in) operating activities** | | **559,886,197** | (2,755,168,294) |
| ***Cash flows from investing activities*** | | | |
| Fixed capital expenditure | | **(1,562,832,238)** | (1,939,571,179) |
| Proceeds from sale of property, plant and equipment | | **34,561,949** | 19,361,157 |
| Long term investments | | **-** | (70,000) |
| Long term loan and advances | | **(764,278,306)** | (327,616,795) |
| Proceeds from sale of short term investments | | **12,657,400** | - |
| Long term deposits | | **375,000** | - |
| Dividend received | | **156,406,569** | 225,920,601 |
| **Net cash used in investing activities** | | **(2,123,109,626)** | (2,021,976,216) |
| ***Cash flows from financing activities*** | | | |
| Long term financing obtained | | **2,483,887,998** | 3,429,363,418 |
| Long term financing repaid | | **(1,406,940,011)** | (1,957,925,847) |
| Long term musharika obtained | | **500,000,000** | - |
| Long term musharika repaid | | **(342,500,000)** | (223,750,000) |
| Short term borrowings - *net* | | **436,906,059** | 3,630,556,414 |
| Dividend paid | | **(156,500,316)** | (70,226,144) |
| **Net cash generated from financing activities** | | **1,514,853,730** | 4,808,017,841 |
| **Net (decrease) / increase in cash and cash equivalents** | | **(48,369,699)** | 30,873,331 |
| **Cash and cash equivalents at beginning of the period** | | **116,327,278** | 85,453,947 |
| **Cash and cash equivalents at end of the period** | | **67,957,579** | 116,327,278 |

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.

| (SHEIKH NASEEM AHMAD) | (REHMAN NASEEM) | (MUHAMMAD AZAM) |
|---|---|---|
| CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER |

# Notes to the Unconsolidated Financial Statements

*For the year ended 30 June 2018*

## 1 Corporate and general information

### 1.1 Reporting entity

Fazal Cloth Mills Limited ('the Company') was incorporated in Pakistan in 1966 as a Public Limited Company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the Company are quoted on Pakistan Stock Exchange ('PSX'). The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of yarn and fabric. The manufacturing facilities and warehouses are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

### 1.2 Summary of significant events in the current reporting period

The Company's financial position and performance was particularly affected by the following events during the reporting period:

- The Company incurred significant capital expenditure mainly on imported plant and machinery as part of its capacity enhancement and balancing, modernization and replacement of spinning machinery. Capital expenditure has been financed through long term borrowings and internal cash generation.
- The Company gave long term advance of Rs. 752.7 million to Fatima Energy Limited ('FEL'), an associated undertaking. Refer note 18 for amount advanced to FEL.
- The accounting policy for revaluation surplus on certain items of property, plant and equipment changed during the year as detailed in note 4.1 to these financial statements. Consequently, the amount of revaluation surplus reported outside the equity in prior years has been reclassified to equity. Furthermore, revaluation of property, plant and equipment was carried out during the year which resulted in a surplus of Rs. 3,713.14 million.
- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified.

## 2 Basis of preparation

### 2.1 Separate financial statements

These unconsolidated financial statements are the separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. Consolidated financial statements of the Company are prepared and presented separately.

The Company has following long term investments:

| Name of the company | Shareholding | Nature | Place of Business |
|---|---|---|---|
| ***Subsidiary*** | | | |
| - Fazal Weaving Mills Limited ('FWML') | 100% | Spinning unit | Qadirpur Rawan Bypass Khnewal Road, Multan |

| Name of the company | Shareholding | Nature | |
|---|---|---|---|
| ***Associates*** | | | |
| - Fatima Energy Limited ('FEL') | 24.11% | Energy generation | Sanawan Kot Adu Punjab. |
| - Fatima Transmission Company Limited ('FTCL') | 24.00% | Transmission of energy | Sanawan Kot Adu Punjab. |
| - Fatima Electric Company Limited ('FECL') | 20.00% | Energy generation | Khayaban-e-Jinnah Lahore Cantt. |

**2.2 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') issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act 2017;
- Islamic Financial Accounting Standards ('IFAS') issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

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

**2.3 Basis of measurement**

These unconsolidated financial statements have been prepared under historical cost convention, except for the following:

- translation of foreign currency at spot rate / average rate;
- recognition of employee retirement benefits at present value;
- long term investments classified as available for sale which are stated at fair value;
- certain property, plant and equipment at revalued amounts; and
- certain other financial instruments at fair value and / or amortized cost.

In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

## 2.4 Functional and presentation currency

These unconsolidated financial statements have been prepared in Pak Rupees ('Rs.') which is the Company's functional currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

## 2.5 Use of estimates and judgments

The preparation of unconsolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

### 2.5.1 Property, plant and equipment

The Company reviews the useful lives, residual values, depreciation method and rates for each item of property, plant and equipment on regular basis by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period unto which the such benefits are expected to be available. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

### 2.5.2 Recoverable amount of assets / cash generating units and impairment

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

### 2.5.3 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three to five years.

**2.5.4 Intangible assets**

The Company reviews the rate of amortisation and value of intangible assets for possible impairment, on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding effect on the amortisation charge and impairment.

**2.5.5 Stores, spares, loose tools and stock-in-trade**

The Company reviews the stores, spares, loose tools and stock-in-trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock-in-trade with a corresponding effect on the provision.

**2.5.6 Provision for doubtful debts, loans, advances, deposits and other receivables**

The Company reviews the recoverability of its trade debts, loans, advances, deposits and other receivables at each reporting date to assess whether provision should be recorded in the statement of profit and loss. In particular, judgment by management is required in the estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on certain assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

**2.5.7 Contingencies**

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the balance sheet date.

**2.5.8 Employee benefits**

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The projected unit credit method used for the valuation of the scheme is based on assumptions stated in note 10.1.

**2.5.9 Taxation**

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Company also regularly reviews the trend of proportion of incomes between 'Final Tax Regime' income and 'Normal Tax Regime' income and the change in proportions, if significant, is accounted for in the year of change.

## 3 New/ revised accounting Standards and IFRIC interpretations

### 3.1 Standards, amendments or interpretations which became effective during the year

During the year, certain amendments or new interpretations became effective. However, the amendments or interpretation did not have any material effect on the financial statements of the Company, except for those which have been specifically disclosed in these financial statements.

### 3.2 New Companies Act, 2017 and new and revised approved accounting standards, IFRIC interpretations and amendments

**3.2.1** With effect from 01 January 2018, Companies Act, 2017 ('Act') has become applicable. The new Act specified certain additional disclosures to be included in these financial statements. Accordingly, the Company has presented the required disclosures in these financial statements and restated certain comparatives. However, there was no change in the reported amounts of statement of profit or loss and other comprehensive income or the amounts presented in the statement of financial position due to these restatements. except for the change referred to in note 4.1.

**3.2.2** The following International Financial Reporting Standards ('IFRS Standards') as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property', effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on these financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The annual improvements are not likely to have an impact on Company’s financial statements.

- IFRIC 22 ‘Foreign Currency Transactions and Advance Consideration’ (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on these financial statements.

- IFRIC 23 ‘Uncertainty over Income Tax Treatments’ (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on these financial statements.

- IFRS 15 ‘Revenue from contracts with customers’ (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’ and IFRIC 13 ‘Customer Loyalty Programmes. The management is in process of evaluating the impact.

- IFRS 9 ‘Financial Instruments’ and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 ‘Leases’ (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC-15 ‘Operating Leases- Incentives’ and SIC-27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The management is in process of evaluating the impact.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above annual improvement cycle is effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Company's financial statements.

## 4 Summary of Significant Accounting Policies

The significant accounting policies set out below have been consistently applied to all periods presented in these unconsolidated financial statements, except as disclosed in note 4.1.

**4.1 Changes in accounting policies**

Upto 30 June 2017, revaluation surplus on revaluation on certain items of property, plant and equipment being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation was credited to the revaluation surplus of land, factory building, non-factory building, plant and machinery, electric fittings and installation, tools, laboratory equipment and arms and fire extinguishing equipment and scales account. With effect from 01 January 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of certain operating fixed assets has not been carried forward in the Companies Act, 2017. Accordingly, the management has changed the accounting policy to bring accounting of revaluation surplus on land, factory building, non-factory building, plant and machinery, electric fittings and installations, tools, laboratory equipment and arms and fire extinguishing equipment and scales in accordance with IAS 16 'Property, plant and equipment'. The effect of this change in accounting policy, which has been applied with retrospective effect, has resulted in transfer of revaluation surplus of land, factory building, non-factory building, plant and machinery, electric fittings and installations, tools, laboratory equipment and arms and fire extinguishing equipment and scales to equity which was previously being presented outside the equity.

The effect of this change in accounting policy, which is applied with retrospective effect, has resulted in transfer of revaluation surplus on items of property, plant and equipment - net of tax to equity by restating the corresponding figures which resulted in increase in equity by Rs. 6,511.47 million and Rs. 6,306.37 million as at 30 June 2017 and 30 June 2016 respectively.

**4.2 Property, plant and equipment**

***Owned***

Freehold land is measured at revalued amount less impairment if any.

Factory building',' non-factory building', 'plant and machinery', 'electric fitting and installations', 'tools', 'laboratory equipment and arms' and 'fire extinguishing equipment and scales' are measured at revalued amount less accumulated depreciation and impairment if any.

Office equipment, furniture fixture and vehicles are measured at cost less accumulated depreciation and impairment if any.

Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and other costs directly attributable to the acquisition or construction including expenditures on material, labor and overheads directly relating to construction, erection and installation of operating fixed assets.

Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Company, at the rates specified in note 16.1. Depreciation on additions is charged full in the month of the asset is available for use and nil in the month the asset is disposed off.

An item of property, plant and equipment is de-recognized when permanently retired from use. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in statement of profit or loss as incurred.

The assets' residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant. The Company's estimate of residual values of property, plant and equipment as at 30 June 2018 has not required any adjustment as its impact is considered insignificant.

***Capital work-in-progress***

Capital work in progress is stated at cost less identified impairment loss, if any. Cost includes the expenditures on material, labour, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets as stated in note 4.7. These costs are transferred to operating fixed assets as and when assets are available for their intended use.

**4.3 Revaluation surplus on property, plant and equipment**

Revaluation of items of property, plant and equipment measured at revalued amount is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase arising on the revaluation is recognized, by restating gross carrying amounts and accumulated depreciation of respective assets being revalued in proportion to the change in their carrying amounts due to revaluation, in other comprehensive income and presented as a separate component of equity as 'Revaluation surplus on property, plant and equipment', except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation is charged to statement of profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The revaluation surplus on item of property, plant and equipment measured at revalued amount, except land, is transferred to unappropriated profit to the extent of incremental depreciation charged (net of deferred tax).

During the year, the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on items of property, plant and equipment measured at revalued amount. Previously, the Company's accounting policy was in accordance with the provisions of repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the Company was not in alignment with the accounting treatment and presentation of revaluation surplus as prescribed by IAS 16 'Property, Plant and Equipment'. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation surplus, accordingly the Company has changed the accounting policy to bring in conformity with the accounting treatment and presentation of revaluation of property, plant and equipment as specified in IAS 16 'Property, Plant and Equipment'. The detailed information and impact of this change in policy is provided in note 4.1 to these unconsolidated financial statements.

**4.4 Lease**

***Operating lease***

Lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the Company's benefit.

**4.5 Intangible assets**

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over the estimated useful life of three years. Amortisation of intangible assets is commenced from the date an asset is capitalized.

**4.6 Impairment**

***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized. Reversal of impairment loss is recognized in statement of profit or loss except in the case of available for sale instruments where the reversal is included in other comprehensive income.

***Non-financial assets***

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any evidence of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss.

Impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

**4.7 Borrowings cost**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

**4.8 Taxation**

Income tax expense comprises current tax and deferred tax. It is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in equity.

***Current***

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

The Company has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001 since 2014. Under this approach the Company is accounting for the related taxes under standalone taxpayer approach. Under this approach current and deferred taxes are recognised as if the entity was taxable in its own right.

***Deferred***

Deferred tax is recognized using statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. 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 realized. Further, the Company recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

Further, the Company accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognised in statement of profit or loss, any related tax effects are also recognised in statement of profit or loss. For transactions and other events recognised outside statement of profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognised outside profit and loss (either in other comprehensive income or directly in equity, respectively).

Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in unconsolidated comprehensive income or equity.

**4.9 Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in statement of profit or loss.

**4.10 Staff retirement benefits**

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if, any excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan is recognized in unconsolidated statement of profit or loss.

Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, is recognised immediately in other comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plan are recognized in statement of profit or loss..

**4.11 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

**4.12 Contingent liabilities**

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and 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

- there is present 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.

**4.13 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item. The Company de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is de-recognized from the statement of financial position, when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition or de-recognition of the financial assets and liabilities is included in the unconsolidated statement of profit or loss currently.

Significant financial assets include long term loan, long term deposits, short term investments, trade debts, loans and advances, deposits, other receivables, mark-up accrued, short term investments and cash and bank balances.

Significant financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include long and short term financing, trade and other payables and accrued markup.

**4.14 Mark - up bearing borrowings**

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

**4.15 Investments**

Investment intended to be held for less than twelve months from the statement of financial position date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non current assets. Management determine the appropriate classification of its investments at the time of the purchase and reevaluates such designation on a regular basis.

**4.15.1 Available-for-sale**

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available-for-sale. These are initially measured at cost, being a fair value of consideration given. At subsequent reporting date, these investments are remeausred at fair value. Unrealized gain and loss arising form the changes in fair value are directly recognized in equity in the period in they arise. Cumulative gains and losses arising from changes in fair value are included in net profit or loss for the period in which investment is derecognized. Fair value of quoted investments is their bid price at the statement of financial position date.

**4.15.2 Investments in subsidiaries and associates**

Investments in associated company (on which the Company has significant influence but no control) and subsidiary are measured at cost in the Company's separate financial statements under IAS-27 'Separate Financial Statements'. However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense. Where impairment losses if any, subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in statement of profit or loss.

**4.15.3 Investments at fair value through profit or loss**

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognized as income in statement of profit or loss.

**4.16 Stores, spares and loose tools**

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

**4.17 Stock-in-trade**

These are stated at the lower of cost and net realizable value except for waste stock which is valued at net realizable value.

Cost has been determined as follows:

| | |
|---|---|
| Raw materials | Weighted average cost |
| Work-in-process and finished goods | Cost of direct materials, labour and appropriate manufacturing overheads. |

Materials in transit comprises of invoice value plus other charges paid thereon.

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

### 4.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Sales are recorded when significant risks and rewards of ownership of the goods are transferred to the customers.
- Dividend income is accounted for when the right to receive is established.
- Interest income is recognized as and when accrued using effective interest method.

### 4.19 Loan and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

***Long term advances and deposits***

At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition these are measured at amortised cost using the effective interest rate method less impairment loss, if any. A provision for impairment of long term loan 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 advance.

***Trade debts***

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

### 4.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks.

### 4.21 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**4.22 Operating segment**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company discloses the operating segment in consolidated financial statements.

**4.23 Earnings per share ('EPS')**

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

**4.24 Dividend distribution**

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

**5 Issued, subscribed and paid-up capital**

| | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|
| | **- - - - (Number of shares) - - - -** | | **- - - - - - - (Rupees) - - - - - - -** | |
| Ordinary shares of Rs. 10 each fully paid in cash | **1,000,000** | 1,000,000 | **10,000,000** | 10,000,000 |
| Ordinary shares of Rs. 10 each fully paid as right shares | **9,187,200** | 9,187,200 | **91,872,000** | 91,872,000 |
| Ordinary shares of Rs. 10 each issued as fully paid bonus shares | **19,812,800** | 19,812,800 | **198,128,000** | 198,128,000 |
| | **30,000,000** | 30,000,000 | **300,000,000** | 300,000,000 |

**5.1** The Company has not issued any shares during the year, therefore, reconciliation of number of shares outstanding has not been disclosed.

**5.2** As at the statement of financial position date, ordinary shares held by associated companies, undertakings and related parties are as follows:

| | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|
| | ------(Number of shares)--------- | | ---(Percentage of holding)--- | |
| Fazal Holdings (Private) Limited | **7,346,541** | 7,346,541 | **24.49** | 24.49 |
| Mr. Rehman Naseem | **3,101,320** | 3,101,320 | **10.34** | 10.34 |
| Mr. Fawad Ahmed Mukhtar | **2,415,422** | 2,415,422 | **8.05** | 8.05 |
| Mr. Fazal Ahmed Sheikh | **2,041,611** | 2,041,611 | **6.81** | 6.81 |
| Mr. Faisal Ahmed Mukhtar | **2,039,865** | 2,039,865 | **6.80** | 6.80 |
| Mr. Abdullah Amir Fazal | **1,421,639** | 1,421,639 | **4.74** | 4.74 |
| Mr. Muhammad Yousaf Amir | **1,421,638** | 1,421,638 | **4.74** | 4.74 |
| Mr. Asad Muhammad Sheikh S/O Fazal Ahmed Sheikh | **1,012,970** | 1,012,970 | **3.38** | 3.38 |
| Mr. Muhammad Mukhtar Sheikh S/O Fazal Ahmed Sheikh | **1,012,969** | 1,012,969 | **3.38** | 3.38 |
| Mr. Muhammad Fazeel Mukhtar S/O Faisal Ahmed Muhktar | **675,895** | 675,895 | **2.25** | 2.25 |
| Mr. Ibrahim Mukhtar S/O Faisal Ahmed Muhktar | **675,895** | 675,895 | **2.25** | 2.25 |
| Mr. Mohid Muhammad Ahmed S/O Faisal Ahmed Mukhtar | **675,895** | 675,895 | **2.25** | 2.25 |
| Mr. Fahad Mukhtar | **579,715** | 579,715 | **1.93** | 1.93 |
| Mr. Ali Mukhtar S/O Fawad Ahmed Mukhtar | **536,207** | 536,207 | **1.79** | 1.79 |
| Mr. Abbas Mukhtar S/O Fawad Ahmed Mukhtar | **536,206** | 536,206 | **1.79** | 1.79 |
| Mr. Amir Naseem Sheikh | **82,828** | 82,828 | **0.28** | 0.28 |
| Mr. Sheikh Naseem Ahmad | **8,820** | 8,820 | **0.03** | 0.03 |
| Mrs. Mahnaz Amir Sheikh | **4,447** | 4,447 | **0.01** | 0.01 |
| Reliance Commodities (Private) Limited | **-** | 500 | **-** | 0.00 |
| Fatima Holding Limited | **-** | 1,176,847 | **-** | 3.92 |

| 6 Other Capital reserves | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| ***Share premium*** | | | |
| Issue of 3,168,000 ordinary shares of Rs. 10 each at premium of Rs. 20 per share issued during the year 2001 | | **63,360,000** | 63,360,000 |
| Issue of 2,851,200 ordinary shares of Rs. 10 each at premium of Rs. 5 per share issued during the year 2002 | | **14,256,000** | 14,256,000 |
| | *6.1* | **77,616,000** | 77,616,000 |
| Capital redemption reserve | *6.2* | **175,000,000** | 175,000,000 |
| Fair value reserve | *6.3* | **1,272,824,947** | 1,354,087,247 |
| | | **1,525,440,947** | 1,606,703,247 |

**6.1** This reserve can be utilized by the Company only for the purposes specified in section 81(2) of the Companies Act, 2017.

**6.2** This represents capital redemption reserve created for the purpose of redemption of preference shares, and is not available for distribution to the shareholders.

**6.3** This represents fair value adjustment on investments classified as 'available for sale' financial assets to market value, and is not available for distribution to the shareholders.

| | | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| 7 | **Revaluation surplus on property, plant and equipment** | | |
| | ***Gross surplus*** | | |
| | Balance at 01 July | **7,340,160,890** | 7,646,403,538 |
| | Revaluation surplus arised during the year on property, plant and equipment - net of deferred tax | **3,424,191,808** | - |
| | Related deferred tax liability | **288,947,243** | - |
| | | **3,713,139,051** | - |
| | Effect of disposal of operating fixed assets during the year - net of deferred tax | **(17,332,338)** | (610,508) |
| | Related deferred tax liability | **(4,336,118)** | (132,305) |
| | | **(21,668,456)** | (742,813) |
| | Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax | **(256,620,529)** | (204,489,547) |
| | Related deferred tax liability | **(64,200,047)** | (101,010,288) |
| | | **(320,820,576)** | (305,499,835) |
| | Balance at 30 June | **10,710,810,909** | 7,340,160,890 |
| | ***Deferred tax liability on revaluation surplus*** | | |
| | Balance at 01 July | **1,033,793,888** | 1,134,936,481 |
| | Related deferred tax liability: | | |
| | - Revaluation surplus arised during the year on property, plant and equipment - net of deferred tax | **288,947,243** | - |
| | - Effect of disposal of operating fixed assets during the year - net of deferred tax | **(4,336,118)** | (132,305) |
| | - Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax | **(64,200,047)** | (101,010,288) |
| | | **220,411,078** | (101,142,593) |
| | Effect of change in tax and proration rate | **(118,053,762)** | - |
| | Balance at 30 June | **1,136,151,204** | 1,033,793,888 |
| | Revaluation surplus on property, plant and equipment - net of tax | **9,574,659,705** | 6,306,367,002 |

**7.1** Property, plant and equipment of the Company except office equipment, furniture and fittings and vehicles have been revalued on 28 February 2018 by Joseph Lobo (Private) Limited, an independent valuer not connected with the Company and approved by Pakistan Banks' Association 'any amount' category, resulting in recognition of additional surplus of Rs. 3,713 million. Previously, the revaluation was carried out on 30 June 2007, 31 March 2012 and 31 March 2015 by independent valuers resulting in additional surplus of Rs. 2,915 million, Rs. 2,028 million and Rs. 4,116 million, respectively.

***Freehold land***

Fair market value of freehold land is assessed through examining plot profile and purchase terms, independent inquiries from local active realtors, current and past occupants, of land, neighboring areas, current asking prices for industrial used land in the vicinity, access roads and independent inquiries from other real estate sources to ascertain the selling prices for the properties of the same nature.

***Factory and non-factory building***

Construction specifications were noted for each building and structure and new construction rates are applied according to construction specifications for current replacement values. After determining current replacement values, residual factors are applied based on estimate of balance useful life to determine the current assessed market value.

***Plant and machinery and others fixed assests***

Plant and machinery and other fixed assets have been evaluated / assessed by inspecting items of plant and machinery and fixed assets. Fixed Asset Register ('FAR') as at 28 February 2018 was examined and compared the asset inspected against the FAR. Furthermore, the valuer also consulted industry related dealers, indentors and/ or manufactures in order to ascertain the current replacement values of imported and locally fabricated items. The value assigned reflects the present condition of items while considering age, condition and/ or obsolescence of the items.

## 8 Long term financing - *secured*

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Long term financing: | | | |
| - banking companies | *8.1* | **7,265,110,059** | 6,579,830,738 |
| - other financial institutions | *8.2* | **1,287,497,048** | 895,828,382 |
| | | **8,552,607,107** | 7,475,659,120 |
| Current portion of long term financing | *11* | **(1,510,559,070)** | (1,406,960,234) |
| | | **7,042,048,037** | 6,068,698,886 |

### 8.1 Banking companies:

| Lender | 2018 | 2017 | Rate Of mark up per annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | ---------------Rupees | --------------- | | | |
| **Askari Bank Limited** | | | | | |
| - Term finance - TF | **400,000,000** | 400,000,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in twelve equal half yearly instalments of Rs. 33.33 million each, beginning on 21 August 2018. Sanctioned limit is Rs. 400.00 million. | 1st joint pari passu charge / mortgage of Rs.576.50 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| | **400,000,000** | 400,000,000 | | | |
| **Soneri Bank Limited** | | | | | |
| - Term finance - TF | **-** | 5,555,554 | 3 Months KIBOR + 1.00% | This facility has been fully repaid during the year with last instalment of principal amount paid on 19 October 2017. | 1st joint pari passu charge / mortgage of Rs.1,182.00 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| - Term finance - TF | **44,945,284** | 74,927,045 | 3 Months KIBOR + 1.00% | Balance principal is payable in three equal half yearly instalments of Rs. 15.00 million each, ending on 11 December 2019. Sanctioned limit is Rs. 44.95 million | |
| - Term finance - TF | **105,000,000** | 175,000,000 | 3 Months KIBOR + 1.00% | Balance principal is payable in three equal half yearly instalments of Rs. 35.00 million each, ending on 27 August 2019. Sanctioned limit is Rs. 105.00 million. | |
| - Term finance - TF | **200,000,000** | 280,000,000 | 3 Months KIBOR + 1.00% | Balance principal is payable in ten equal quarterly instalments of Rs. 20.00 million each, ending on 13 October 2020. Sanctioned limit is Rs. 200.00 million. | |
| - Term finance - TF | **32,473,454** | - | 3 Months KIBOR + 1.10% | Balance principal is payable in thirty two equal quarterly instalments of Rs. 1.01 million each, beginning on 20 September 2020. Sanctioned limit is Rs. 500.00 million. | |
| | **382,418,738** | 535,482,599 | | | |

| Lender | 2018 | 2017 | Rate Of mark up per annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | ---------------Rupees--------------- | | | | |
| **Faysal Bank Limited** | | | | | |
| - Term finance - TF | **20,000,000** | 60,000,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in one instalment of Rs. 20.00 million, ending on 20 July 2018. Sanctioned limit is Rs. 20.00 million. | 1st joint pari passu charge / mortgage of Rs. 854.00 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| - Term finance - TF | **23,758,651** | 71,273,952 | 6 Months KIBOR + 1.00% | Balance principal is payable in one instalment of Rs 23.76 million, ending on 04 October 2018. Sanctioned limit is Rs.23.76 million. | |
| - Term finance - TF | **14,802,784** | 37,285,492 | 6 Months KIBOR + 1.00% | Balance principal is payable in one instalment of Rs. 14.80 million, ending on 02 January 2019. Sanctioned limit is Rs. 14.80 million. | |
| - Term finance - TF | **60,000,000** | 100,000,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in three equal half yearly instalments of Rs. 20.00 million each, ending on 07 December 2019. Sanctioned limit is Rs. 60.00 million. | |
| | **118,561,435** | 268,559,444 | | | |
| **Habib Bank Limited** | | | | | |
| - Demand finance | **-** | 72,636,626 | 6 Months KIBOR + 0.50% | During the year this demand finance was transferred to SBP's LTFF Scheme. | 1st joint pari passu charge / mortgage of Rs. 639.00 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| - Demand finance under LTFF Scheme | **428,426,984** | 131,220,785 | SBP rate + 0.50% (fixed rate) | Balance principal is payable in sixteen equal half yearly instalments of Rs. 26.78 million each, beginning on 29 September 2019. Sanctioned limit is Rs.428.43 million | |
| | **428,426,984** | 203,857,411 | | | |
| **National Bank of Pakistan** | | | | | |
| - Demand finance - VI | **-** | 28,866,880 | 6 Months KIBOR + 2.00% | This facility has been fully repaid during the year with last instalment of principal amount paid on 23 May 2018. | 1st joint pari passu charge / mortgage of Rs.1,637.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| - Demand finance - VII | **202,048,157** | 259,776,201 | 6 Months KIBOR + 1.25% | Balance principal is payable in fourteen equal quarterly instalments of Rs. 14.43 million each, ending on 03 December 2021. Sanctioned limit is Rs. 202.05 million. | |
| - Demand finance - VII under LTFF Scheme | **101,427,290** | 130,406,514 | SBP rate + 1.25% (fixed rate) | Balance principal is payable in fourteen equal quarterly instalments of Rs. 7.24 million each, ending on 03 December 2021. Sanctioned limit is Rs.101.43 million. | |
| | **303,475,447** | 419,049,595 | | | |
| **United Bank Limited** | | | | | |
| - Demand finance | **60,000,000** | 100,000,000 | 3 Months KIBOR + 1.00% | Balance principal is payable in three equal half yearly instalments of Rs. 20.00 million each, ending on 03 September 2019. Sanctioned limit is Rs. 60.00 million. | 1st joint pari passu charge / mortgage of Rs. 1,914.00 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company. |
| - Demand finance - II under LTFF Scheme | **923,503,367** | 796,927,367 | SBP rate + 0.50% (fixed rate) | Balance principal is payable in sixteen equal half yearly instalments of Rs. 57.72 million each, beginning on 31 December 2018. Sanctioned limit is Rs. 923.50 million. | |
| - Demand finance - III | **300,000,000** | 300,000,000 | 6 Months KIBOR + 1.10% | Balance principal is payable in eight equal half yearly instalments of Rs. 37.50 million each, beginning on 30 May 2019. Sanctioned limit is Rs.300.00 million. | |
| | **1,283,503,367** | 1,196,927,367 | | | |

| Lender | 2018 | 2017 | Rate Of mark up per annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | --------------Rupees-------------- | | | | |
| **MCB Bank Limited** | | | | | |
| - Term finance | **400,000,000** | 560,000,000 | 3 Months KIBOR + 0.60% | Balance principal is payable in five equal half yearly instalments of Rs. 80.00 million each, ending on 31 October 2020. Sanctioned limit is Rs. 400.00 million. | 1st joint pari passu charge / mortgage of Rs. 920.00 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company. |
| - Demand finance | **46,587,716** | 166,654,900 | 6 Months KIBOR + 0.70% | Last instalment of Rs. 46.59 million is falling due on 28 November 2018. Sanctioned limit is Rs. 46.59 million. | |
| | **446,587,716** | 726,654,900 | | | |
| **Allied Bank Limited** | | | | | |
| - Term loan - II | **-** | 15,883,311 | 6 Months KIBOR + 0.90% | This facility has been fully repaid during the year with last instalment of principal amount paid on 13 December 2017. | 1st joint pari passu charge / mortgage of Rs. 2,902.00 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company. |
| - Term loan - III | **-** | 24,874,233 | 6 Months KIBOR + 0.90% | This facility has been fully repaid during the year with last instalment of principal amount paid on 24 November 2017. | |
| - Term loan - IV | **62,175,975** | 186,527,935 | 6 Months KIBOR + 0.90% | Last instalment of Rs. 62.18 million is falling due on 08 December 2018. Sanctioned limit is Rs. 62.18 million. | |
| - Term loan - V | **109,215,594** | 145,620,792 | 6 Months KIBOR + 0.90% | Balance principal is payable in six equal half yearly instalments of Rs. 18.20 million each, ended on 25 February 2021. Sanctioned limit is Rs.109.22 million. | |
| - Term loan - VI | **291,666,665** | 374,999,999 | 6 Months KIBOR + 0.90% | Balance principal is payable in seven equal half yearly instalments of Rs. 41.67 million each, ended on 06 August 2021. Sanctioned limit is Rs. 291.67 million. | |
| - Term loan - VII | **442,627,983** | 442,627,983 | 6 Months KIBOR + 0.65% | Balance principal is payable in sixteen equal half yearly instalments of Rs. 27.67 million each, beginning on 02 September 2019. Sanctioned limit is Rs. 797.67 million. | |
| - Term loan - VI under LTFF Scheme | **355,040,698** | - | SBP Rate+0.50% (fixed rate) | Sixteen equal half yearly instalments of Rs. 22.19 million each, beginning on 02 March 2020. | |
| - Term loan - VIII | **16,269,083** | - | 6 Months KIBOR + 0.50% | Sixteen equal half yearly instalments of Rs. 1.02 million each, beginning on 04 January 2021. Sanctioned limit is Rs. 700 million. | |
| | **1,276,995,998** | 1,190,534,253 | | | |
| **The Bank of Khyber** | | | | | |
| - Term finance | **174,334,076** | 244,067,708 | 6 Months KIBOR + 0.75% | Balance principal is payable in five equal half yearly instalments of Rs. 34.87 million each, ending on 25 July 2020. Sanctioned limit is Rs. 174.33 million. | 1st joint pari passu charge / mortgage of Rs. 951.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Demand finance - II | **187,500,000** | 262,500,000 | 6 Months KIBOR + 0.75% | Balance principal is payable in five equal half yearly instalments of Rs. 37.50 million, ending on 13 October 2020. Sanctioned limit is Rs. 187.50 million. | |
| | **361,834,076** | 506,567,708 | | | |

| Lender | 2018 | 2017 | Rate Of mark up per annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | ---------------Rupees--------------- | | | | |
| **The Bank of Punjab** | | | | | |
| - Term finance | **145,601,241** | 187,201,595 | 6 Months KIBOR + 0.85% | Balance principal is payable in seven equal half yearly instalments of Rs. 20.80 million each, ending on 30 September 2021. Sanctioned limit is Rs. 145.60 million. | 1st joint pari passu charge/mortgage of Rs.2,358.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Term finance | **-** | 14,790,818 | 6 Months KIBOR + 0.75% | During the year this demand finance was transferred to SBP's LTFF Scheme. | |
| - Term finance under LTFF Scheme | **500,000,000** | 480,205,048 | SBP rate + 0.50% | Balance principal is payable in sixteen equal half yearly instalments of Rs. 31.25 million, beginning on 17 July 2019 Sanctioned limit is Rs. 500.00 million. | |
| - Term finance | **600,000,000** | - | 6 Months KIBOR + 0.75% | Balance principal is payable in twelve equal half yearly instalments of Rs. 50.00 million each, beginning on 25 April 2020. Sanctioned limit is Rs. 600.00 million. | |
| - Term finance | **238,631,609** | - | 6 Months KIBOR + 0.75% | Balance principal is payable in sixteen equal half yearly instalments of Rs. 14.91 million each, beginning on 15 June 2020. Sanctioned limit is Rs. 500.00 million. | |
| - Term finance under LTFF Scheme | **85,323,448** | - | SBP rate + 0.75% (fixed rate) | Balance principal is payable sixteen equal half yearly instalments of Rs. 5.33 million each, beginning on 15 June 2020. | |
| | **1,569,556,298** | 682,197,461 | | | |
| **Standard Chartered Bank (Pakistan) Ltd** | | | | | |
| - Term finance | **393,750,000** | 450,000,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in seven equal half yearly instalments of Rs. 56.25 million each, ending on 04 October 2021. Sanctioned limit is Rs. 393.75 million. | 1st joint pari passu charge / mortgage of Rs. 1,152.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| **JS Bank Limited** | | | | | |
| - Term finance | **300,000,000** | - | 6 Months KIBOR + 1.00% | Balance principal is payable in eight equal half yearly instalments of Rs. 37.50 million each, beginning on 24 July 2019. Sanctioned limit is Rs.300.00 million. | 1st joint pari passu charge / mortgage of Rs. 400.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| | **7,265,110,059** | 6,579,830,738 | | | |

**8.2 Other financial institutions:**

| Lender | 2018 | 2017 | Rate Of mark up per annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | ---------------Rupees--------------- | | | | |
| **Pak Brunei Investment Company Limited** | | | | | |
| - Term finance | **49,997,048** | 83,328,382 | 3 Months KIBOR + 0.80% | Balance principal is payable in three equal half yearly instalments of Rs. 16.67 million each, ending on 02 November 2019. Sanctioned limit is Rs.49.98 million. | 1st joint pari passu charge / mortgage of Rs.735.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Term finance | **-** | 25,000,000 | 3 Months KIBOR + 0.80% | This facility has been fully repaid during the year with last instalment of principal amount paid on 18 September 2017. | |
| - Term finance | **250,000,000** | 250,000,000 | 3 Months KIBOR + 0.90% | Balance principal is payable in eight equal half yearly instalments of Rs. 31.25 million each, begining on 23 July 2018. Sanctioned limit is Rs. 250.00 million. | |
| | **299,997,048** | 358,328,382 | | | |
| **Pak Oman Investment Company Limited** | | | | | |
| - Term finance | **137,500,000** | 187,500,000 | 6 Months KIBOR + 0.90% | Balance principal is payable in eleven equal quarterly instalments of Rs. 12.50 million each, ending on 25 March 2021. Sanctioned limit is Rs.137.50 million. | 1st joint pari passu charge / mortgage of Rs.1,335.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Term finance | **350,000,000** | 350,000,000 | 3 Months KIBOR + 0.90% | Balance principal is payable in twenty equal quarterly instalments of Rs. 17.50 million each, begining on 23 December 2018. Sanctioned limit is Rs. 350.00 million. | |
| - Term finance | **500,000,000** | - | 6 Months KIBOR + 0.90% | Balance principal is payable in twenty equal quarterly instalments of Rs. 25.00 million each, begining on 24 April 2020. Sanctioned limit is Rs. 500.00 million. | |
| | **987,500,000** | 537,500,000 | | | |
| | **1,287,497,048** | 895,828,382 | | | |

**8.3** The Company has un-availed long term facilities amounting to Rs. 240.63 million (2017: Rs. 49.98 million).

**8.4** As per the financing document, the Company is required to comply with certain financial covenants which mainly include current ratio, minimum debt service coverage ratio, minimum interest coverage ratio, gearing ratio and maximum leverage ratio. Further, the Company is required to comply with certain conditions imposed by the providers of finance to make dividend payment.

**9 Long term musharika - *secured***

***Islamic mode of financing***

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Long term musharika - banking companies | 9.1 | **1,378,750,000** | 1,221,250,000 |
| Less: Current portion of long term musharika | 11 | **(317,500,000)** | (342,500,000) |
| | | **1,061,250,000** | 878,750,000 |

**9.1 Banking companies:**

| Lender | 2018 | 2017 | Rate Of mark up per Annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | --------------- Rupees | --------------- | | | |
| **Meezan Bank Limited** | | | | | |
| - Diminishing musharika - II | **-** | 25,000,000 | 6 Months KIBOR + 0.90% | This facility has been fully repaid during the year with last instalment of principal amount paid on 24 November 2017. | This diminishing musharika was secured against exclusive charge of Rs.334.00 million over machinery imported through Meezan Bank Ltd and personal guarantees of the sponsoring directors of the Company. |
| - Diminishing musharika - III | **60,000,000** | 90,000,000 | 6 Months KIBOR + 0.90% | Balance principal is payable in four equal half yearly instalments of Rs. 15.00 million each, ending on 30 January 2020. Sanctioned limit is Rs.60.00 million | Exclusive charge of Rs.200.00 million over machinery imported through Meezan Bank Ltd and personal guarantees of the sponsoring directors of the Company. |
| | **60,000,000** | 115,000,000 | | | |
| **Dubai Islamic Bank Pakistan Limited** | | | | | |
| - Diminishing musharika | **350,000,000** | 450,000,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in seven equal half yearly instalments of Rs. 50.00 million each, ending on 08 October 2021. Sanctioned limit is Rs.350.00 million | 1st joint pari passu charge/mortgage of Rs.602.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| **Standard Chartered Bank (Pakistan) Limited** | | | | | |
| - Diminishing musharika | **468,750,000** | 656,250,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in five equal half yearly instalments of Rs. 93.75 million each, ending on 26 August 2020. Sanctioned limit is Rs. 468.75 million | 1st joint pari passu charge/mortgage of Rs.1,152.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| **Faysal Bank Limited** | | | | | |
| - Diminishing musharika | **500,000,000** | - | 3 Months KIBOR + 0.75% | Balance principal is payable in six equal half yearly instalments of Rs. 83.33 million each, beginning on 06 June 2020. Sanctioned limit is Rs.500.00 million | 1st joint pari passu charge / mortgage of Rs. 854.00 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| | **1,378,750,000** | 1,221,250,000 | | | |

| 10 | **Deferred liabilities** | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|---|
| | Staff retirement benefit - Gratuity | *10.1* | **252,712,792** | 204,404,551 |
| | Deferred taxation | *10.2* | **2,267,972,077** | 2,175,617,785 |
| | | | **2,520,684,869** | 2,380,022,336 |

**10.1 Staff retirement benefit - Gratuity**

The latest actuarial valuation of the Company's defined benefit plan, was conducted at 30 June 2018 using 'Projected Unit Credit' method. Detail of obligation for defined benefit plan is as follows:

| **10.1.1 The amounts recognized in the statement of financial position is as follows:** | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| Present value of defined benefit obligation liability at 30 June | *10.1.2* | **252,712,792** | 204,404,551 |

**10.1.2 Movement in the liability for defined benefit obligation recognized in the 'Statement of financial position' is as follows:**

| | | | |
|---|---|---|---|
| Liability for defined benefit obligation at 01 July | | **204,404,551** | 209,641,455 |
| Current service cost | *10.1.3* | **97,706,250** | 73,192,402 |
| Interest cost on defined benefit obligation | *10.1.3* | **12,918,184** | 11,711,606 |
| Actuarial loss charged to 'Other Comprehensive Income' | *10.1.5* | **13,120,420** | 6,063,222 |
| Benefits paid during the year | | **(75,436,613)** | (96,204,134) |
| Liability for defined benefit obligation at 30 June | | **252,712,792** | 204,404,551 |

**10.1.3 The amounts recognized in the 'Statement of profit or loss' against defined benefit plan are as follows:**

| | | |
|---|---|---|
| Current service cost | **97,706,250** | 73,192,402 |
| Interest cost | **12,918,184** | 11,711,606 |
| | **110,624,434** | 84,904,008 |

**10.1.4 Charge to 'Statement of profit or loss' against defined benefit plan has been alloacated as under**

| | | |
|---|---|---|
| Cost of sales | **96,110,535** | 73,471,784 |
| Selling and distribution expense | **858,000** | 660,000 |
| Administrative expense | **13,655,899** | 10,772,224 |
| | **110,624,434** | 84,904,008 |

**10.1.5 Remeasurement loss recognized in the 'Other comprehensive income' against defined benefit plan are as follows:**

*Remeasurement loss defined benefit obligation due to:*

| | | |
|---|---|---|
| - changes in financial assumptions | **1,145,245** | 4,617,916 |
| - change in experience adjustment | **11,975,175** | 1,445,306 |
| | **13,120,420** | 6,063,222 |

**10.1.6 Actuarial assumptions used for valuation of liability at 30 June against defined benefit obligation are as under :**

The following are the principal actuarial assumptions at balance sheet date:

| | **2018** | 2017 |
|---|---|---|
| Discount rate used for interest cost | **7.75% per anum** | 7.25% per anum |
| Discount rate used for year end obligation | **9.00% per anum** | 7.25% per anum |
| Expected rate of growth per annum in future salaries | **8.00% per anum** | 6.75% per anum |
| Mortality rates | **SLIC (2001 - 05) Setback 1 Year** | SLIC (2001 - 05) Setback 1 Year |
| Retirement assumption | **Age 60** | Age 60 |

**10.1.7** Weighted average duration of defined benefit obligation is six years, whereas, maturity profile of the defined benefit obligation with regards to time distribution of benefit payments for first year, second year, third year, fourth year, fifth year, sixth year and more than sixth year are Rs 65.42 million, Rs 60.42 million, Rs 58.20 million, Rs 53.54 million, Rs 50.59 million, Rs 53.14 million and Rs 3069.26 million, respectively.

**10.1.8 Sensitivity analysis of defined benefit obligation to changes in the actuarial assumptions**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | **2018** | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Impact on defined benefit obligation** | | | Impact on defined benefit obligation | | |
| | **Change in assumption** | **Increase in assumption** | **Decrease in assumption** | Change in assumption | Increase in assumption | Decrease in assumption |
| | **Percentage** | **---------- Rupees ----------** | | Percentage | ---------- Rupees ---------- | |
| Discount rate | **1.00%** | **237,482,745** | **270,328,095** | 1.00% | 191,908,120 | 218,887,942 |
| Salary growth rate | **1.00%** | **271,118,146** | **236,463,234** | 1.00% | 219,545,135 | 191,077,877 |

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized in the statement of financial position.

**10.1.9** The Company expects to charge Rs. 106.50 million against current service cost and Rs. 19.90 million against net interest cost, aggregating to Rs. 126.40 million, to 'Statement of Profit or Loss' in respect of defined benefit plan in 2019.

**10.1.10** The Company exposure to the actuarial risks are as follows:

a) **Salary risks**

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

**b) Demographic risks**

***Mortality Risk***

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

***Withdrawal Risk***

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

**10.1.11** Gratuity scheme entitles members of staff retirement benefit plan on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based, on the Company's service rules, for staff gratuity. Gratuity is based on the last month basic salary for each year of service.

**10.2 Deferred taxation**

| | 2018 | | | | |
|---|---|---|---|---|---|
| | | | (Reversal from)/ charge to | | |
| | Balance at 01 July | Effect of change in tax rate and proration rate | 'Statement of profit or loss' | 'Other comprehensive income' | Balanace at 30 June |
| | Rupees | | | | |
| ***Taxable temporary differences arising in respect of :*** | | | | | |
| Revaluation surplus on property, plant and equipment | 1,033,793,888 | (118,053,762) | (68,536,165) | 288,947,243 | 1,136,151,204 |
| Tax depreciation allowance | 1,097,573,990 | (161,545,316) | 76,969,374 | - | 1,012,998,048 |
| Effect of 'Group Taxation' | 382,291,039 | - | (27,445,375) | - | 354,845,664 |
| | 2,513,658,917 | (279,599,078) | (19,012,166) | 288,947,243 | 2,503,994,916 |
| Deductible temporary difference arising in respect of : | | | | | |
| Provision for gratuity | (36,407,193) | - | 36,407,193 | - | - |
| Minimum tax carried forward | (301,318,622) | - | 68,175,496 | - | (233,143,126) |
| Provisions | (315,317) | 3,979 | (2,568,375) | - | (2,879,713) |
| | (338,041,132) | 3,979 | 102,014,314 | - | (236,022,839) |
| Deferred tax liability | 2,175,617,785 | (279,595,099) | 83,002,148 | 288,947,243 | 2,267,972,077 |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Balance at 01 July | Effect of change in tax and proration rate | (Reversal from) / charge to | | Balanace at 30 June |
| | | | 'Statement of profit or loss' | 'Other comprehensive income' | |
| | ------ Rupees ------ | | | | |
| *Taxable temporary differences arising in respect of :* | | | | | |
| Revaluation surplus on property, plant and equipment | 1,134,936,481 | - | (101,142,593) | - | 1,033,793,888 |
| Tax depreciation allowance | 1,038,830,879 | - | 58,743,111 | - | 1,097,573,990 |
| Effect of 'Group Taxation' | 236,379,087 | - | 145,911,952 | - | 382,291,039 |
| | 2,410,146,447 | - | 103,512,470 | - | 2,513,658,917 |
| *Deductible temporary difference in respect of :* | | | | | |
| Provision for gratuity | (38,938,646) | - | 3,611,394 | (1,079,941) | (36,407,193) |
| Minimum tax carried forward | (301,318,622) | - | - | - | (301,318,622) |
| Tax credit on investments | (328,817) | - | 13,500 | - | (315,317) |
| | (340,586,085) | - | 3,624,894 | (1,079,941) | (338,041,132) |
| Deferred tax liability | 2,069,560,362 | - | 107,137,364 | (1,079,941) | 2,175,617,785 |

The Company has opted for Group taxation from tax year 2014. Minimum tax available for carry forward u/s 113 of the Income Tax Ordinance, 2001 amounting to Rs. 619.72 million (2017: Rs 604.25 million) is available to the Company. However, out of this, deferred tax has only been recognized on Rs. 233.14 million (2017: Rs 301.32 million) as sufficient tax profits may not be available to set these off in foreseeable future on the remaining amount. The recoginition of deferred tax asset shall be re-assesed on 30 June 2019.

## 11 Current portion of non-current liabilities

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| *Markup bearing finances from conventional banks:* | | | |
| Long term financing - *secured* | 8 | **1,510,559,070** | 1,406,960,234 |
| *Islamic mode of financing :* | | | |
| Long term musharika - *secured* | 9 | **317,500,000** | 342,500,000 |
| | | **1,828,059,070** | 1,749,460,234 |

## 12 Trade and other payables

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Trade creditors | | **252,893,932** | 300,113,258 |
| Accrued liabilities | | **1,280,391,723** | 1,192,255,092 |
| Advance from customers | | **45,148,951** | 48,794,993 |
| Due to associated undertakings | *12.1* | **93,920,098** | 12,485,573 |
| Bills payable | | **341,730,921** | - |
| Tax deducted at source | | **7,955,729** | 6,914,998 |
| Infrastructure cess | *12.2* | **309,876,742** | 255,715,904 |
| Workers' profit participation fund | *12.3* | **76,440,221** | 24,725,225 |
| Workers' welfare fund | *12.4* | **11,162,227** | - |
| | | **2,419,520,544** | 1,841,005,043 |

### 12.1 Due to associated undertakings

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| Ahmed Fine Textile Mills Limited | **67,438,934** | - |
| Hussain Ginneries Limited | **12,313,865** | 11,350,171 |
| Fatima Energy Limited | **6,537,521** | - |
| Fatima Fertilizer Company Limited | **4,706,963** | 1,090,066 |
| Fazal Rehman Fabrics Limited | **2,877,479** | - |
| Fatima Sugar Mills Limited | **4,835** | 4,835 |
| Pakarab Fertilizer Limited | **40,501** | 40,501 |
| | **93,920,098** | 12,485,573 |

**12.2** This represent provision against 'Sindh Infrastructure Cess', levied under section 9 of 'Sindh Finance Act, 1994' at the rate specified of total value of goods as assessed by the 'Custom Authorities' while considering net weight and distance for carriage of goods through the province of 'Sindh'. The Company has filed an appeal in the 'Honorable Sindh High Court' against levy, which is pending fixation. The Company, however, keeping in view of any unfavorable outcome of the appeal, has provided the balance payable amount in these unconsolidated financial statement.

| 12.3 | Workers' profit participation fund | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| | Balance as at 01 July | | **24,725,225** | 25,022,533 |
| | Provision for the year | 32 | **76,440,221** | 24,725,225 |
| | Interest on funds utilized by the Company | | **1,295,534** | 3,239,218 |
| | | | **102,460,980** | 52,986,976 |
| | Payment made during the year | | **(25,996,459)** | (28,237,928) |
| | Deposited in 'Government Treasury' | | **(24,300)** | (23,823) |
| | Balance as at 30 June | | **76,440,221** | 24,725,225 |

| 12.4 | Workers' Welfare Fund | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| | Balance as at 01 July | | **-** | 124,867,986 |
| | Allocation for the year | 32 | 11,162,227 | - |
| | Less: Reversal of provision | 33 & 12.4.1 | **-** | (124,867,986) |
| | Balance as at 30 June | | **11,162,227** | **-** |

**12.4.1** This represent reversal of provision of Workers' Welfare Fund ('WWF') in pursuance of the judgment of the Honorable Supreme Court of Pakistan, dated 10 November 2016, during last financial year.

## 13 Short term borrowings - *secured*

| Banking Companies | Nominal interest rate % | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| ***Mark-up based borrowings from conventional banks*** | | | |
| Cash finance | **6.46 - 7.92** | **177,084,642** | 349,472,403 |
| Running finance | **6.46 - 8.36** | **597,103,770** | 167,818,682 |
| Foreign currency export finance | | **-** | 2,485,262,665 |
| Finance against imported merchandise | **2.55 - 7.28** | **1,409,699,810** | 649,006,663 |
| Money market loan | **6.18 - 7.22** | **5,126,500,191** | 2,954,484,273 |
| ***Islamic mode of financing*** | | | |
| Running musharika | **6.30 - 7.07** | **432,210,627** | 378,281,952 |
| Karobar finance / Import murabaha | **6.25 - 6.57** | **210,453,678** | 531,820,021 |
| | | **7,953,052,718** | 7,516,146,659 |

**13.1** The Company has short term borrowing facilities including funded and non-funded, available from various commercial banks under mark-up / profit arrangements having aggregate sanctioned limits of Rs. 20,788 million (2017: Rs. 20,070 million). These facilities are secured against different securities including pledge of stock- in-trade, hypothecation on stocks, stores and spares, charge on current assets, lien on debtors, lien on imports and exports documents and personal guarantees of the sponsoring directors. The pledge based outstanding borrowings out of the above outstanding borrowings are secured against pledge of stock-in-trade amounting to Rs.3,570 million. Short term borrowing facilities which remained unutilized at year end are Rs. 11,304 million (2017: Rs. 10,450 million). These facilities are expiring on various dates by 20 April 2019.

| 14 Accrued mark-up | 2018 Rupees | 2017 Rupees |
|---|---|---|
| *Mark-up based loans from conventional bank:* | | |
| Long term financing - *secured* | **140,264,563** | 126,832,098 |
| Short term borrowings - *secured* | **88,511,265** | 58,297,767 |
| | **228,775,828** | 185,129,865 |
| *Islamic mode of financing:* | | |
| Long term musharika - *secured* | **36,105,045** | 55,198,807 |
| Short term borrowings - *secured* | **10,212,351** | 8,927,861 |
| | **46,317,396** | 64,126,668 |
| | **275,093,224** | 249,256,533 |

## 15 Contingencies and commitments

### 15.1 *Contingencies*

**15.1.1** The officials of Large Taxpayers Unit, Lahore ('LTU - Lahore') raised income tax demands of Rs 36.38 million and Rs 49.78 million against the Company through separate orders, dated 30 April 2018 and 29 June 2018 respectively, under section 161/205 of the Income Tax Ordinance, 2001 ('Ordinance') on grounds that income tax has not been deducted against certain payments during tax years 2015 and 2016 respectively. The Company has agitated the orders in appeal before Commissioner Inland Revenue Appeals (CIR-A) which is pending adjudication.

**15.1.2** The officials of LTU - Lahore after concluding income tax audit under section 177 of the Ordinance, raised income tax demand of Rs. 7.98 million against the Company through amended order, dated 26 April 2018, under section 122(5) of the Ordinance for tax year 2014. The Company has agitated the order in appeal before CIR - A, which is pending adjudication.

**15.1.3** Consequent to amendment of deemed income tax assessment of tax years 2006 to 2012 vide separate orders, dated 30 April 2010, 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, involving income tax of Rs. 324.8 million (other than disclosed below separately), the Company has been extended significant relief by the CIR - A. The issues in respect of which CIR - A did not allow relief have been taken up in appeals before the Appellate Tribunal Inland Revenue and such appeals is pending adjudication.

**15.1.4** The officials of LTU - Lahore, while giving effect to findings of CIR - A's appellate orders under section 124/129 of the Ordinance in the context of amendments made under section 122(5A) of the Ordinance, have arbitrarily made disallowances/increase in income (i.e. exchange loss, notional profit of associates etc.) for tax years 2010 and 2012 vide separate orders, dated 30 June 2018, involving sum of Rs. 657 million. The issue has been taken up in appeals before CIR - A which are pending adjudication.

**15.1.5** Admissibility of 'payment to preference share-holders' has been disputed in income tax amendment orders, dated 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, for tax years 2007 to 2012 involving a sum of Rs 209 million. The first appellate authority has maintained departmental stance, the Company's appeals are lying with Appellate Tribunal Inland Revenue.

**15.1.6** The officials of LTU - Lahore through separate orders dated November 26, 2015 and February 25, 2016 have disregarded input tax aggregating Rs 24.4 million. The officials of LTU - Lahore through an order dated July 31, 2017 also raised a sales tax demand of Rs 71 million against the Company. The Company has preferred appeals against such orders before the CIR - A which are pending adjudication.

Based on the opinion of the Company's legal counsel the management is confident of favourable outcome in all aforesaid matters, hence no provision is being recognized in respect of these in the unconsolidated financial statements.

| | | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| **15.2** | **Commitments** | | | |
| **15.2.1** | Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies. | | **700,113,115** | 581,413,715 |
| **15.2.2** | **Commitments against irrevocable letters of credit:** | | | |
| | *- capital expenditure* | | **1,458,875,182** | 686,911,980 |
| | *- raw material and stores and spares* | | **1,010,522,465** | 1,336,804,565 |
| | *- others* | *15.2.4* | **600,000,000** | 987,500,000 |
| | | | **3,069,397,647** | 3,011,216,545 |

**15.2.3** Minimum lease payment in respect of land and ginning unit under operating lease ending on 30 June 2031 and 30 June 2021, respectively, is as under :

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| - not later than one year | **7,850,000** | 7,250,000 |
| - 1 to 5 years | **45,573,026** | 40,293,660 |
| - later than 5 years | **134,961,869** | 144,341,230 |

**15.2.4** As at balance sheet date, 'Stand by Letters of Credit' ('SBLC') amounting to Rs. 600.00 million (2017: 987.50 million) are outstanding which were issued by the Dubai Islamic Bank Pakistan Limited on behalf of the Company favoring the lenders of FEL, an associated company, confirming that in case of failure of the Company to make payment of the committed amount of equity during the period of six months, the lenders of Fatima Energy Limited - an associated undertaking ('FEL') can draw on the SBLCs to cover the amount not paid by the Company. An amount of Rs. 2,431.81 million (2017: Rs. 1,679 million) has been paid by the Company to FEL till 30 June 2018. Subsequent to year end, dated 27 September 2018, the SBLC has been withdrawn by the Company.

## 16 Property, plant and equipment

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Operating fixed assets | *16.1* | 22,022,207,606 | 17,553,135,722 |
| Capital work-in-progress - *at cost* | *16.3* | 309,659,613 | 410,894,647 |
| | | 22,331,867,219 | 17,964,030,369 |

### 16.1 Operating fixed assets

| | Cost / revalued amount | | | | | | Accumulated depreciation | | | | | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at 01 July 2017 | Revaluation surplus | Additions | Disposals | Balance as at 30 June 2018 | Rate % | Balance as at 01 July 2017 | Revaluation surplus | For the year | Disposals | Balance as at 30 June 2018 | Balance as at 30 June 2018 |
| | Rupees | | | | | | Rupees | | | | | |
| *Freehold land* | | | | | | | | | | | | |
| - cost | 454,216,716 | - | 2,467,750 | - | 456,684,466 | | - | - | - | - | - | 456,684,466 |
| - revaluation surplus | 1,536,028,392 | 1,862,634,892 | - | - | 3,398,663,284 | | - | - | - | - | - | 3,398,663,284 |
| | 1,990,245,108 | 1,862,634,892 | 2,467,750 | - | 3,855,347,750 | | - | - | - | - | - | 3,855,347,750 |
| *Factory building on free hold land* | | | | | | | | | | | | |
| - cost | 1,316,771,419 | - | 278,777,991 | - | 1,595,549,410 | | 435,204,539 | - | 49,523,798 | - | 484,728,337 | 1,110,821,073 |
| - revaluation surplus | 2,379,912,150 | 585,893,141 | - | - | 2,965,805,291 | 5 | 920,232,711 | 222,656,575 | 79,037,916 | - | 1,221,927,202 | 1,743,878,089 |
| | 3,696,683,569 | 585,893,141 | 278,777,991 | - | 4,561,354,701 | | 1,355,437,250 | 222,656,575 | 128,561,714 | - | 1,706,655,539 | 2,854,699,162 |
| *Non-factory building on free hold land* | | | | | | | | | | | | |
| - cost | 555,927,839 | - | 96,111,027 | - | 652,038,866 | | 155,726,562 | - | 21,440,005 | - | 177,166,567 | 474,872,299 |
| - revaluation surplus | 2,667,381,234 | 65,625,247 | - | - | 2,733,006,481 | 5 | 858,124,262 | 22,141,619 | 91,187,576 | - | 971,453,457 | 1,761,553,024 |
| | 3,223,309,073 | 65,625,247 | 96,111,027 | - | 3,385,045,347 | | 1,013,850,824 | 22,141,619 | 112,627,581 | - | 1,148,620,024 | 2,236,425,323 |
| *Non-factory building on lease hold land* | | | | | | | | | | | | |
| - cost | - | - | 81,960,081 | - | 81,960,081 | | - | - | 7,171,507 | - | 7,171,507 | 74,788,574 |
| - revaluation surplus | - | - | - | - | - | 15 | - | - | - | - | - | - |
| | - | - | 81,960,081 | - | 81,960,081 | | - | - | 7,171,507 | - | 7,171,507 | 74,788,574 |
| *Plant and machinery* | | | | | | | | | | | | |
| - cost | 11,518,372,575 | - | 1,130,441,136 | (90,106,375) | 12,558,707,336 | | 3,599,600,472 | - | 421,831,433 | (71,659,363) | 3,949,772,542 | 8,608,934,794 |
| - revaluation surplus | 3,664,841,824 | 1,476,709,349 | - | (33,944,478) | 5,107,606,695 | 5 | 1,544,552,220 | 507,344,654 | 121,948,523 | (14,649,143) | 2,159,196,254 | 2,948,410,441 |
| | 15,183,214,399 | 1,476,709,349 | 1,130,441,136 | (124,050,853) | 17,666,314,031 | | 5,144,152,692 | 507,344,654 | 543,779,956 | (86,308,506) | 6,108,968,796 | 11,557,345,235 |
| *Electric fittings and installations* | | | | | | | | | | | | |
| - cost | 583,077,095 | - | 6,475,544 | (685,964) | 588,866,675 | | 170,455,623 | - | 20,665,009 | (396,521) | 190,724,111 | 398,142,564 |
| - revaluation surplus | 507,250,335 | 632,029,727 | - | - | 1,139,280,062 | 5 | 191,915,511 | 223,941,860 | 22,563,145 | - | 438,420,516 | 700,859,546 |
| | 1,090,327,430 | 632,029,727 | 6,475,544 | (685,964) | 1,728,146,737 | | 362,371,134 | 223,941,860 | 43,228,154 | (396,521) | 629,144,627 | 1,099,002,110 |
| *Sui gas installations* | | | | | | | | | | | | |
| - cost | 14,020,862 | - | - | - | 14,020,862 | | 7,053,581 | - | 348,364 | - | 7,401,945 | 6,618,917 |
| - revaluation surplus | 8,478,502 | 5,134,356 | - | - | 13,612,858 | 5 | 4,309,304 | 2,677,723 | 249,404 | - | 7,236,431 | 6,376,427 |
| | 22,499,364 | 5,134,356 | - | - | 27,633,720 | | 11,362,885 | 2,677,723 | 597,768 | - | 14,638,376 | 12,995,344 |
| *Tools, laboratory equipment and arms* | | | | | | | | | | | | |
| - cost | 52,791,330 | - | 45,522,491 | (10,571,431) | 87,742,390 | | 27,914,644 | - | 2,221,303 | (7,980,267) | 22,155,680 | 65,586,710 |
| - revaluation surplus | 170,989,158 | 110,998,246 | - | (4,004,643) | 277,982,761 | 5 | 94,014,252 | 51,969,802 | 4,832,363 | (1,631,522) | 149,184,895 | 128,797,866 |
| | 223,780,488 | 110,998,246 | 45,522,491 | (14,576,074) | 365,725,151 | | 121,928,896 | 51,969,802 | 7,053,666 | (9,611,789) | 171,340,575 | 194,384,576 |
| *Fire extinguishing equipment and scales* | | | | | | | | | | | | |
| - cost | 11,153,444 | - | - | - | 11,153,444 | | 6,113,234 | - | 252,010 | - | 6,365,244 | 4,788,200 |
| - revaluation surplus | 34,596,040 | 9,775,028 | - | - | 44,371,068 | 5 | 16,168,484 | 4,928,702 | 1,001,650 | - | 22,098,836 | 22,272,232 |
| | 45,749,484 | 9,775,028 | - | - | 55,524,512 | | 22,281,718 | 4,928,702 | 1,253,660 | - | 28,464,080 | 27,060,432 |
| Office equipments | 42,883,429 | - | 6,416,627 | (1,866,072) | 47,433,984 | 10 | 19,553,430 | - | 2,491,904 | (807,991) | 21,237,343 | 26,196,641 |
| Furniture and fittings | 25,066,139 | - | 1,385,165 | - | 26,451,304 | 10 | 10,985,521 | - | 1,508,185 | - | 12,493,706 | 13,957,598 |
| Vehicles | 181,592,256 | - | 14,509,460 | (3,753,720) | 192,347,996 | 20 | 110,290,667 | - | 14,909,352 | (2,856,884) | 122,343,135 | 70,004,861 |
| **2018** | 25,725,350,739 | 4,748,799,986 | 1,664,067,272 | (144,932,683) | 31,993,285,314 | | 8,172,215,017 | 1,035,660,935 | 863,183,447 | (99,981,691) | 9,971,077,708 | 22,022,207,606 |

-

Operating fixed assets

| | Cost / revalued amount | | | | | | Accumulated depreciation | | | | | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at 01 July 2016 | Revaluation surplus | Additions | Disposals | Balance as at 30 June 2017 | Rate % | Balance as at 01 July 2016 | Revaluation surplus | For the year | Disposals | Balance as at 30 June 2017 | Balance as at 30 June 2017 |
| | ----- Rupees ----- | | | | | | ----- Rupees ----- | | | | | |
| *Freehold land* | | | | | | | | | | | | |
| - cost | 453,863,504 | - | 353,212 | - | 454,216,716 | | - | - | - | - | - | 454,216,716 |
| - revaluation surplus | 1,536,028,392 | - | - | - | 1,536,028,392 | | - | - | - | - | - | 1,536,028,392 |
| | 1,989,891,896 | - | 353,212 | - | 1,990,245,108 | | - | - | - | - | - | 1,990,245,108 |
| *Factory building on free hold land* | | | | | | | | | | | | |
| - cost | 1,316,037,089 | - | 734,330 | - | 1,316,771,419 | | 389,068,529 | - | 46,136,010 | - | 435,204,539 | 881,566,880 |
| - revaluation surplus | 2,379,912,150 | - | - | - | 2,379,912,150 | 5 | 843,407,477 | - | 76,825,234 | - | 920,232,711 | 1,459,679,439 |
| | 3,695,949,239 | - | 734,330 | - | 3,696,683,569 | | 1,232,476,006 | - | 122,961,244 | - | 1,355,437,250 | 2,341,246,319 |
| *Non-factory building on free hold land* | | | | | | | | | | | | |
| - cost | 541,248,159 | - | 14,679,680 | - | 555,927,839 | | 134,969,640 | - | 20,756,922 | - | 155,726,562 | 400,201,277 |
| - revaluation surplus | 2,667,381,234 | - | - | - | 2,667,381,234 | 5 | 762,900,210 | - | 95,224,052 | - | 858,124,262 | 1,809,256,972 |
| | 3,208,629,393 | - | 14,679,680 | - | 3,223,309,073 | | 897,869,850 | - | 115,980,974 | - | 1,013,850,824 | 2,209,458,249 |
| *Plant and machinery* | | | | | | | | | | | | |
| - cost | 9,823,685,430 | - | 1,708,601,975 | (13,914,830) | 11,518,372,575 | | 3,266,650,057 | - | 341,673,096 | (8,722,681) | 3,599,600,472 | 7,918,772,103 |
| - revaluation surplus | 3,666,117,293 | - | - | (1,275,469) | 3,664,841,824 | 5 | 1,433,465,456 | - | 111,619,420 | (532,656) | 1,544,552,220 | 2,120,289,604 |
| | 13,489,802,723 | - | 1,708,601,975 | (15,190,299) | 15,183,214,399 | | 4,700,115,513 | - | 453,292,516 | (9,255,337) | 5,144,152,692 | 10,039,061,707 |
| *Electric fittings and installations* | | | | | | | | | | | | |
| - cost | 571,635,069 | - | 11,884,818 | (442,792) | 583,077,095 | | 149,276,643 | - | 21,291,545 | (112,565) | 170,455,623 | 412,621,472 |
| - revaluation surplus | 507,250,335 | - | - | - | 507,250,335 | 5 | 175,318,942 | - | 16,596,569 | - | 191,915,511 | 315,334,824 |
| | 1,078,885,404 | - | 11,884,818 | (442,792) | 1,090,327,430 | | 324,595,585 | - | 37,888,114 | (112,565) | 362,371,134 | 727,956,296 |
| *Sui gas installations* | | | | | | | | | | | | |
| - cost | 14,020,862 | - | - | - | 14,020,862 | | 6,686,882 | - | 366,699 | - | 7,053,581 | 6,967,281 |
| - revaluation surplus | 8,478,502 | - | - | - | 8,478,502 | 5 | 4,089,873 | - | 219,431 | - | 4,309,304 | 4,169,198 |
| | 22,499,364 | - | - | - | 22,499,364 | | 10,776,755 | - | 586,130 | - | 11,362,885 | 11,136,479 |
| *Tools, laboratory equipment and arms* | | | | | | | | | | | | |
| - cost | 52,788,730 | - | 2,600 | - | 52,791,330 | | 26,605,471 | - | 1,309,173 | - | 27,914,644 | 24,876,686 |
| - revaluation surplus | 170,989,158 | - | - | - | 170,989,158 | 5 | 89,968,205 | - | 4,046,047 | - | 94,014,252 | 76,974,906 |
| | 223,777,888 | - | 2,600 | - | 223,780,488 | | 116,573,676 | - | 5,355,220 | - | 121,928,896 | 101,851,592 |
| *Fire extinguishing equipment and scales* | | | | | | | | | | | | |
| - cost | 11,117,444 | - | 36,000 | - | 11,153,444 | | 5,848,119 | - | 265,115 | - | 6,113,234 | 5,040,210 |
| - revaluation surplus | 34,596,040 | - | - | - | 34,596,040 | 5 | 15,199,402 | - | 969,082 | - | 16,168,484 | 18,427,556 |
| | 45,713,484 | - | 36,000 | - | 45,749,484 | | 21,047,521 | - | 1,234,197 | - | 22,281,718 | 23,467,766 |
| Office equipments | 42,004,763 | - | 2,835,748 | (1,957,082) | 42,883,429 | 10 | 17,844,845 | - | 2,479,385 | (770,800) | 19,553,430 | 23,329,999 |
| Furniture and fittings | 21,903,219 | - | 3,162,920 | - | 25,066,139 | 10 | 9,699,393 | - | 1,286,128 | - | 10,985,521 | 14,080,618 |
| Vehicles | 171,226,581 | - | 12,391,695 | (2,026,020) | 181,592,256 | 20 | 95,797,931 | - | 16,028,699 | (1,535,963) | 110,290,667 | 71,301,589 |
| 2017 | 23,990,283,954 | - | 1,754,682,978 | (19,616,193) | 25,725,350,739 | | 7,426,797,075 | - | 757,092,607 | (11,674,665) | 8,172,215,017 | 17,553,135,722 |

**16.1.1 Depreciation for the year has been allocated as under:**

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Cost of sales | *29* | **839,487,231** | 737,292,321 |
| Administrative expense | *31* | **23,696,216** | 19,800,286 |
| | | **863,183,447** | 757,092,607 |

**16.1.2** Additions in operating fixed assets represents transfer from capital work-in-progress.

**16.1.3** All assets of the Company as at 30 June 2018 are located in Pakistan.

**16.1.4** The latest valuation of of Company's assets has been carried as at 28 February 2018. Category wise gross amounts of property, plant and equipment subject to revaluation and their related forced sale values are given below:

| | Gross revalued amount | Forced sales value |
|---|---|---|
| | --------- Rupees --------- | |
| Freehold land | 3,853,000,000 | 3,082,400,000 |
| Factory building on free hold land | 2,703,457,509 | 2,162,766,000 |
| Non-factory building on free hold land | 2,179,642,491 | 1,743,714,000 |
| Plant and machinery | 11,414,750,000 | 9,131,679,000 |
| Electric fittings and installations | 1,116,700,000 | 893,360,000 |
| Sui gas installations | 13,221,897 | 10,578,000 |
| Tools, laboratory equipment and arms | 197,845,769 | 158,277,000 |
| Fire fighting and weighing scales | 27,532,334 | 22,026,000 |
| | **21,506,150,000** | **17,204,800,000** |

**16.1.5** Particulars of immoveable fixed assets (i.e. land and building) in the name of the Company are as follows:

| Particulars | Location | Total Area |
|---|---|---|
| Free hold land (Manufacturing Unit) | Jhang Road, Muzaffargarh | 588 kanal and 11.5 marlas |
| Free hold land (Residential Colony) | Jhang Road, Muzaffargarh | 107 kanal and 15 marlas |
| Free hold land (Manufacturing Unit) | Qadirpur Rawan bypass Khanewal Road, Multan | 624 kanal and 4.6 marlas |
| Free hold land (Residential Colony) | Qadirpur Rawan bypass Khanewal Road, Multan | 56 kanal and 13 marlas |
| Free hold land (under liscened agreement to Fazal Weaving Mills Limited) | Qadirpur Rawan bypass Khanewal Road, Multan | 148 kanal |
| Free hold land (Administrative Storage Unit) | Sarwar Road, Multan | 15 marlas |
| Free hold land | Bahawalpur Road, Multan | 7 kanal and 9 marlas |

Factory buildings, non-factory building, plant and machinery, electric fitting and installation and sui gas installation are located on above mentioned free hold land, whereas, building on leasehold land (Head office building) is constructed on land held under operating lease, measuring 7 kanal, 13 marla and 153 square feet, located at 59/3, Abdali Road, Multan.

16.2 The following assets were disposed of during the year

| | Cost / revalued amount | Accumulated depreciation | Net book value | Sale proceeds / Insurance claim | Gain / (loss) | Mode of disposal | Particulars of purchaser | Relationship |
|---|---|---|---|---|---|---|---|---|
| | ------------- | ------------- | Rupees | ------------- | ------------- | | | |
| **Plant and machinery** | | | | | | | | |
| Twisting machine | 2,442,922 | 2,059,207 | 383,715 | 399,159 | 15,444 | Negotiation | Mr. Awad Raheel | Third party |
| Twisting machine | 700,466 | 594,516 | 105,950 | 168,067 | 62,117 | Negotiation | Mr. Awad Raheel | Third party |
| Two for one twister | 4,138,532 | 3,320,895 | 817,637 | 672,269 | (145,368) | Negotiation | Mr. Awad Raheel | Third party |
| Toyoda Ry-4 Blow Room m/c | 4,405,279 | 3,469,298 | 935,981 | 126,050 | (809,931) | Negotiation | Mr. Awad Raheel | Third party |
| Toyoda Ry-4 Blow Room m/c | 14,684,264 | 11,564,333 | 3,119,931 | 315,126 | (2,804,805) | Negotiation | Mr. Mansoor Hussain | Third party |
| Mach coner 7-II | 12,395,141 | 9,702,772 | 2,692,369 | 1,453,782 | (1,238,587) | Negotiation | Mr. Awad Raheel | Third party |
| Scutcher for blow room | 4,055,211 | 3,186,403 | 868,808 | 84,034 | (784,774) | Negotiation | Mr. Mansoor Hussain | Third party |
| Crossrol MK4 single carding machine | 3,274,753 | 2,503,963 | 770,790 | 260,504 | (510,286) | Negotiation | Mr. Ahsan | Third party |
| Ring frames EJM-128 | 2,832,713 | 1,761,312 | 1,071,401 | 281,512 | (789,889) | Negotiation | Mr. Ahsan | Third party |
| Ring frames EJM-128 | 2,832,713 | 1,761,312 | 1,071,401 | 281,513 | (789,888) | Negotiation | Mr. Ahsan | Third party |
| Simplex with texpart top drafting 120s HY 491A | 5,110,395 | 3,177,565 | 1,932,830 | 224,090 | (1,708,740) | Negotiation | Mr. Anas Bilal | Third party |
| Simplex with texpart top drafting 120s HY 491A | 10,991,289 | 6,526,765 | 4,464,524 | 448,179 | (4,016,345) | Negotiation | Mr. Anas Bilal | Third party |
| Fly frame M-Fa 415A (120 spindles frame) | 4,124,059 | 2,320,081 | 1,803,978 | 268,908 | (1,535,070) | Negotiation | Mr. Awad Raheel | Third party |
| Comber machine cm-10 | 373,108 | 109,524 | 263,584 | 84,034 | (179,550) | Negotiation | Mr. Mansoor Hussain | Third party |
| Ring frames EJM-128 | 4,249,070 | 2,646,520 | 1,602,550 | 519,498 | (1,083,052) | Negotiation | Mr. Ahsan | Third party |
| Blow room machinery | 4,405,279 | 3,470,910 | 934,369 | 84,034 | (850,335) | Negotiation | Mr. Mansoor Hussain | Third party |
| Blow room machinery - scutcher | 4,055,211 | 3,187,917 | 867,294 | 84,034 | (783,260) | Negotiation | Mr. Mansoor Hussain | Third party |
| Crossrol MK4 single carding machine | 3,274,753 | 2,505,481 | 769,272 | 315,126 | (454,146) | Negotiation | Mr. Anas Bilal | Third party |
| Ring frames EJM-128 | 7,081,783 | 4,410,867 | 2,670,916 | 865,830 | (1,805,086) | Negotiation | Mr. Ahsan | Third party |
| Card DK803 machine complete | 500,000 | 6,250 | 493,750 | 400,000 | (93,750) | Negotiation | Mr. Awad Raheel | Third party |
| Cooling tower | 1,012,003 | 397,950 | 614,053 | 366,982 | (247,071) | Negotiation | Ahmad Fine Textile Mills Limited | Associate |
| Dryer machine | 795,212 | 390,815 | 404,397 | 731,120 | 326,723 | Insurance Claim | Adamjee Insurance Company Limited | Third party |
| Air compressor 7.5KV | 1,957,585 | 901,432 | 1,056,153 | 2,080,880 | 1,024,727 | Insurance Claim | Adamjee Insurance Company Limited | Third party |
| Gas generator | 24,359,112 | 16,332,418 | 8,026,694 | 18,190,000 | 10,163,306 | Insurance Claim | Adamjee Insurance Company Limited | Third party |
| | **124,050,853** | **86,308,506** | **37,742,347** | **28,704,731** | **(9,037,616)** | | | |
| **Lab Equipment** | | | | | | | | |
| Uster spectrum | 10,398,996 | 6,465,936 | 3,933,060 | 2,136,752 | (1,796,308) | Negotiation | Ahmad Fine Textile Mills Limited | Associate |
| Uster tester model UT3-B/M | 4,177,078 | 3,145,853 | 1,031,225 | 415,816 | (615,409) | Negotiation | Fazal Rehman Fabrics Limited | Associate |
| | **14,576,074** | **9,611,789** | **4,964,285** | **2,552,568** | **(2,411,717)** | | | |
| **Vehicles** | | | | | | | | |
| Toyota altis LED-66-07 | 1,277,255 | 1,141,883 | 135,372 | 400,000 | 264,628 | Negotiation | Mr. Shahab ud Din | Third party |
| Toyota altis MN-12-2999 | 2,101,465 | 1,446,625 | 654,840 | 850,000 | 195,160 | Negotiation | Mr. Rafaqat | Third party |
| Honda civic No. MLM-99 | 375,000 | 268,376 | 106,624 | 160,000 | 53,376 | Negotiation | Mr. Tariq Ahmed Khan | Third party |
| | **3,753,720** | **2,856,884** | **896,836** | **1,410,000** | **513,164** | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Office equipments** | | | | | | | | |
| Laptop | 165,800 | 69,952 | 95,848 | 130,000 | 34,152 | Insurance Claim | Adamjee Insurance | Third party |
| Sony vaio Vpc-Sb18Ga laptop intel Core | 137,500 | 69,896 | 67,604 | 75,625 | 8,021 | Insurance Claim | Adamjee Insurance | Third party |
| Cabnit air conditoner 4 tons | 129,500 | 26,117 | 103,383 | 93,600 | (9,783) | Insurance Claim | Adamjee Insurance | Third party |
| Mitsubishi split AC | 117,328 | 56,525 | 60,803 | 75,000 | 14,197 | Insurance Claim | Adamjee Insurance | Third party |
| Photo copier machine | 100,000 | 37,671 | 62,329 | 73,000 | 10,671 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp core I5 4530S | 92,700 | 42,865 | 49,835 | 81,900 | 32,065 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp core I5 4530S | 88,500 | 23,804 | 64,696 | 57,100 | (7,596) | Insurance Claim | Adamjee Insurance | Third party |
| Laptop dell N5520 | 81,000 | 34,337 | 46,663 | 49,000 | 2,337 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp pavilion 15-P007Tx | 70,500 | 18,979 | 51,521 | 49,000 | (2,521) | Insurance Claim | Adamjee Insurance | Third party |
| Laptop | 67,800 | 19,610 | 48,190 | 52,200 | 4,010 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp-core I-V | 67,500 | 27,187 | 40,313 | 45,000 | 4,687 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop | 65,300 | 30,617 | 34,683 | 33,000 | (1,683) | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp 4520S Cor-15480 | 64,000 | 37,773 | 26,227 | 40,000 | 13,773 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp Core i5 4530S | 61,800 | 26,828 | 34,972 | 33,000 | (1,972) | Insurance Claim | Adamjee Insurance | Third party |
| Laptop dell inspiron N5010 | 60,000 | 30,239 | 29,761 | 33,900 | 4,139 | Insurance Claim | Adamjee Insurance | Third party |
| Note book laptop hp g60 | 58,500 | 35,626 | 22,874 | 42,100 | 19,226 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop intel core 2 Duo @ 2.2 g | 57,500 | 31,831 | 25,669 | 33,900 | 8,231 | Insurance Claim | Adamjee Insurance | Third party |
| Air conditioner | 47,000 | 45,811 | 1,189 | 37,500 | 36,311 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop lenovo B570 intel core i-3 | 44,000 | 20,961 | 23,039 | 28,600 | 5,561 | Insurance Claim | Adamjee Insurance | Third party |
| Cyber ups system rating 3 KVA | 40,000 | 29,724 | 10,276 | 31,000 | 20,724 | Insurance Claim | Adamjee Insurance | Third party |
| Split A/C mistubishi 1.5 Ton | 39,275 | 24,811 | 14,464 | 35,000 | 20,536 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop core i3 cpu | 37,000 | 8,779 | 28,221 | 27,350 | (871) | Insurance Claim | Adamjee Insurance | Third party |
| Mobile samsung glaxy s5 | 32,404 | 9,542 | 22,862 | 30,000 | 7,138 | Insurance Claim | Adamjee Insurance | Third party |
| Samsung galaxy mega | 29,040 | 9,271 | 19,769 | 28,000 | 8,231 | Insurance Claim | Adamjee Insurance | Third party |
| Mobile samsung galaxy S4 | 25,000 | 7,202 | 17,798 | 28,000 | 10,202 | Insurance Claim | Adamjee Insurance | Third party |
| Mobile Phone | 25,000 | 10,067 | 14,933 | 17,500 | 2,567 | Insurance Claim | Adamjee Insurance | Third party |
| Mobile BP Z 10 | 21,354 | 6,817 | 14,537 | 15,375 | 838 | Insurance Claim | Adamjee Insurance | Third party |
| Printer Hp 3015 | 17,000 | 4,033 | 12,967 | 15,650 | 2,683 | Insurance Claim | Adamjee Insurance | Third party |
| Lcd monitor 17 " | 11,750 | 6,070 | 5,680 | 10,800 | 5,120 | Insurance Claim | Adamjee Insurance | Third party |
| 17" LCD daimond view used white Color | 6,220 | 3,513 | 2,707 | 5,500 | 2,793 | Insurance Claim | Adamjee Insurance | Third party |
| Scanner | 5,801 | 1,533 | 4,268 | 4,060 | (208) | Insurance Claim | Adamjee Insurance | Third party |
| | **1,866,072** | **807,991** | **1,058,081** | **1,311,660** | **253,579** | | | |
| **Electric Fitting & Installation** | | | | | | | | |
| LG A/C artcool delux 2 ton | 113,990 | 66,401 | 47,589 | 100,000 | 52,411 | Insurance Claim | Adamjee Insurance | Third party |
| UPS MGE 3 Kva | 90,000 | 74,547 | 15,453 | 75,000 | 59,547 | Insurance Claim | Adamjee Insurance | Third party |
| LG A/C split 2 ton | 81,230 | 44,182 | 37,048 | 45,500 | 8,452 | Insurance Claim | Adamjee Insurance | Third party |
| Gm-1-H Lg | 68,000 | 36,505 | 31,495 | 67,000 | 35,505 | Insurance Claim | Adamjee Insurance | Third party |
| Main Store Orient | 63,100 | 39,350 | 23,750 | 63,000 | 39,250 | Insurance Claim | Adamjee Insurance | Third party |
| LG A/C window 2 ton | 59,896 | 34,579 | 25,317 | 32,500 | 7,183 | Insurance Claim | Adamjee Insurance | Third party |
| Air conditioner 1.5 ton | 47,460 | 24,059 | 23,401 | 32,500 | 9,099 | Insurance Claim | Adamjee Insurance | Third party |
| GM-4-H LG | 36,788 | 19,460 | 17,328 | 39,400 | 22,072 | Insurance Claim | Adamjee Insurance | Third party |
| UBNT- bridge | 37,500 | 7,549 | 29,951 | 29,390 | (561) | Insurance Claim | Adamjee Insurance | Third party |
| A/C split LG 1.5 tons | 29,500 | 16,398 | 13,102 | 37,000 | 23,898 | Insurance Claim | Adamjee Insurance | Third party |
| A/C split LG 1.5 tons | 29,500 | 16,398 | 13,102 | 37,000 | 23,898 | Insurance Claim | Adamjee Insurance | Third party |
| General A/C 1.5 ton model No 53 G/M | 29,000 | 17,093 | 11,907 | 24,700 | 12,793 | Insurance Claim | Adamjee Insurance | Third party |
| | **685,964** | **396,521** | **289,443** | **582,990** | **293,547** | | | |
| **2018** | **144,932,683** | **99,981,691** | **44,950,992** | **34,561,949** | **(10,389,043)** | | | |
| 2017 | 19,616,193 | 11,674,666 | 7,941,527 | 19,361,157 | 11,419,630 | | | |

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| **16.3 Capital work-in-progress - *cost*** | | | |
| Balance as at 01 July | | **410,894,647** | 226,006,446 |
| Additions during the year | | **1,562,832,238** | 1,939,571,179 |
| Transfers during the year | *16.1.2* | **(1,664,067,272)** | (1,754,682,978) |
| Balance as at 30 July | *16.3.1* | **309,659,613** | 410,894,647 |

**16.3.1 Breakup of capital work-in-progress:**

| | | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| *Factory buildings* | | | |
| Material and expenses | | **77,655,965** | 153,371,459 |
| Advance payments | | **40,045,175** | 105,967,251 |
| | | **117,701,140** | 259,338,710 |
| Non-factory buildings - material and expenses | | **9,461,290** | 114,675,777 |
| *Plant and machinery* | | | |
| Cost and expenses | | **15,162,668** | 614,295 |
| Advance payments | | **12,137,783** | 9,172,340 |
| Letters of credit | | **142,155,361** | 23,158,945 |
| | | **169,455,812** | 32,945,580 |
| *Furniture and fixtures* | | | |
| Cost and expenses | | **-** | 1,752,419 |
| Advance payments | | **-** | 797,161 |
| | | **-** | 2,549,580 |
| Office equipment - Advance payments | | **-** | 8,000 |
| Electric fittings and Installations - Advance payments | | **7,287,730** | - |
| Vehicles - Advance payments | | **4,017,285** | 1,377,000 |
| Intangible - Cost and expenses | | **1,736,356** | 1,377,000 |
| | | **309,659,613** | 412,271,647 |

**17 Long term investments**

***<u>Investment in related parties</u> :***

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Available for sale - at fair value | *17.1* | **2,041,006,604** | 2,122,268,904 |
| Associated companies - at cost | *17.2* | **1,429,483,490** | 1,429,483,490 |
| Subsidiary company - at cost | *17.3* | **250,000,000** | 250,000,000 |
| | | **3,720,490,094** | 3,801,752,394 |
| **Others** | | | |
| Others - at cost | *17.4* | **21,644,000** | 21,644,000 |
| | | **3,742,134,094** | 3,823,396,394 |

| | | Note | Shares 30 June 2018 | Shares 30 June 2017 | Market value 30 June 2018 | Market value 30 June 2017 | Market value per share 30 June 2018 | Market value per share 30 June 2017 | Percentage of holding 30 June 2018 | Percentage of holding 30 June 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | ----Number---- | | ----Rupees---- | | ----Rupees---- | | | |
| 17.1 | **Available for sale - at fair value** | | | | | | | | | |
| | Fatima Fertilizer Company Limited - quoted | *17.1.1* | **62,994,031** | 62,994,031 | **2,041,006,604** | 2,122,268,904 | 32.40 | 33.69 | **3.00%** | 3.00% |

| | | Shares 30 June 2018 | Shares 30 June 2017 | Carrying value 30 June 2018 | Carrying value 30 June 2017 | Percentage of holding 30 June 2018 | Percentage of holding 30 June 2017 |
|---|---|---|---|---|---|---|---|
| | | ----Number---- | | ----Rupees---- | | | |
| 17.2 | **Associated companies - at cost** | | | | | | |
| | Fatima Energy Limited - unquoted | **137,421,349** | 137,421,349 | **1,374,213,490** | 1,374,213,490 | **24.11%** | 24.24% |
| | Fatima Transmission Company Limited - unquoted | **5,520,000** | 5,520,000 | **55,200,000** | 55,200,000 | **24.0%** | 24.0% |
| | Fatima Electric Company Limited - unquoted | **7,000** | 7,000 | **70,000** | 70,000 | **20.0%** | 20.0% |
| | | **142,948,349** | 142,948,349 | **1,429,483,490** | 1,429,483,490 | | |

**17.1.1** The Company does not have significant influnece on Fatima Fertilizer Limited.

**17.3** This represent investment in Fatima Weaving Mills Limited ('FWML'), set up to carry business of textile spinning. The Company, being sponsor of FWML, holds 100% of equity share of FWML, which commenced its commercial operations on 01 April 2014.

**17.4** This represents 0.21 million (30 June 2017: 0.21 million) ordinary shares of Multan Real Estate (Private) Limited which are valued at cost owing to non-availability of market value of its shares. Investments made in financial statements

| 18 | Long term loan and advances | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| | ***Long term loan to subsidiary*** | | | |
| | Fazal Weaving Mills Limited | *18.1* | **530,000,000** | 530,000,000 |
| | ***Long term advance to associates*** | | | |
| | Pak Arab Energy Limited | | **25,904,160** | 25,904,160 |
| | Fatima Transmission Company Limited | | **23,320,790** | 11,761,200 |
| | Fatima Energy Limited | | **1,057,601,401** | 304,882,685 |
| | | *18.2* | **1,106,826,351** | 342,548,045 |
| | | | **1,636,826,351** | 872,548,045 |

**18.1** It represents loan disbursed to finance capital expenditure as well as the working capital needs thereof. It carries mark-up at weighted average borrowing cost of the Company. During the year mark up charged at the rates ranging from 7.26% to 7.86% per annum (2017: 7.22% to 7.29% per annum) . It is subordinated to the extent of Rs. 530 million to all the financing facilities obtained by FWML from MCB Bank Limited, Allied Bank Limited, Faysal Bank Limited, Soneri Bank Limited, Habib Bank Limited, Askari Bank Limited, United Bank Limited, Meezan Bank Limited, Bank Al-Falah Limited, and The Bank of Punjab.

**18.2** Provisions of section 199 of the Companies Act, 2017 have been fully complied with in respect of advances to associated companies.

| | | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| **19** | **Stores, spares and loose tools** | | | |
| | Stores [ In-transist: Rs. 39.71 million (2017: Rs. 66.19 million)] | | **136,391,473** | 159,372,471 |
| | Spares | | **364,610,106** | 426,797,848 |
| | Loose tools | | **453,535** | 691,278 |
| | | | **501,455,114** | 586,861,597 |
| | Provision for slow moving items | | **(1,770,316)** | (1,770,316) |
| | | | **499,684,798** | 585,091,281 |
| **20** | **Stock-in-trade** | | | |
| | Raw material [In-transist: Rs. 1,140.06 million (2017: Rs 834.60 million)] | | **6,051,925,399** | 4,333,748,614 |
| | Work-in-process | | **315,152,028** | 276,835,823 |
| | Finished goods | | | |
| | Yarn | | **1,437,228,607** | 1,392,073,807 |
| | Fabric | | **320,144,524** | 417,807,500 |
| | | | **1,757,373,131** | 1,809,881,307 |
| | | | **8,124,450,558** | 6,420,465,744 |

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| **21 Trade debts** | | | |
| *Export debtors - secured against letters of credit:* | | | |
| Considered good | | **3,338,335,649** | 2,023,682,671 |
| *Local debtors - unsecured* | | | |
| Related Parties - considered good | *21.1 & 21.2* | **86,935,471** | 126,138,330 |
| Others - considered good | | **1,417,107,766** | 2,093,219,568 |
| Others - considered doubtful | | **8,856,467** | - |
| | | **1,512,899,704** | 2,219,357,898 |
| Provision for doubtful balances | | **(8,856,467)** | - |
| | | **4,842,378,886** | 4,243,040,569 |

**21.1** These include due from following associated undertakings on account of trading activities.

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| Fazal Weaving Mills Limited | **79,377,591** | - |
| Reliance Weaving Mills Limited | **3,143,326** | 3,406,079 |
| Fazal Rehman Fabrics Limited | **-** | 118,695,560 |
| Ahmad Fine Textile Mills Limited | **-** | 4,036,691 |
| Fatimafert Limited | **4,414,554** | - |
| | **86,935,471** | 126,138,330 |

**21.2** The ageing analysis of trade debts from related parties is as follows:

| | | |
|---|---|---|
| Not yet due | **81,425,942** | 49,300,074 |
| 1 to 30 days | **4,414,554** | 51,268,863 |
| 30 to 150 days | **-** | 24,316,107 |
| 150 days and above | **1,094,975** | 1,253,286 |
| | **86,935,471** | 126,138,330 |

**21.3** During the year, maximum agregate amount outsatnding balance from Fazal Rehman Fabrics Limited, Reliance Weaving Mills Limited, Fazal Weaving Mills Limited and Fatimafert Limited is Rs. 346.75 million, Rs. 13.12 million, Rs. 163.79 million and 4.41 million respectively.

| 22 | Loans and advances | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| | ***Considered good*** | | | |
| | Advance to Fazal Weaving Mills Limited | *22.1* | **-** | 572,746,874 |
| | ***Others*** | | | |
| | Advances to suppliers and contractors | | **123,845,128** | 145,351,672 |
| | Advances to: | | | |
| | *- Executives against salaries - secured* | | **-** | 150,000 |
| | *- Other employees against salaries- secured* | | **12,436,173** | 11,312,092 |
| | Letters of credit | | **5,855,067** | 20,608,699 |
| | | | **142,136,368** | 750,169,337 |

**22.1** This represents amount received by FWML in the normal course of business

| 23 | Deposits, prepayments and other receivable | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| | Deposits | | **2,827,920** | 6,437,920 |
| | Prepayments | | **24,498,779** | 244,497 |
| | Insurance and import claim receivable | | **11,348,624** | 16,349,792 |
| | Guarantee margin | | **-** | 80,000,000 |
| | Duty drawback receivable | *23.1* | **499,732,073** | 153,716,855 |
| | | | **538,407,396** | 256,749,064 |

**23.1** This represent amount receivable against duty draw back as detailed under note 29.1.3.

| 24 | Mark-up accrued | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| | Mark-up accrued on: | | | |
| | Subsidiary Company - *FWML* | *24.1* | **58,296,952** | 19,103,087 |
| | Associated Companies | *24.2* | **81,339,057** | 27,137,816 |
| | | | **139,636,009** | 46,240,903 |

**24.1** Mark-up is accrued on the basis as described in note 18.

**24.2** It represents mark-up accrued on advances given against issue of shares to FEL, FTCL and FECL at weighted average borrowing cost of the Company. During the year mark-up was charged at the rates ranging from 7.76% to 8.36% per annum (2017: 7.72% to 7.79% per annum).

| 25 | Short term investment | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| | Investment at fair value through profit and loss | | |
| | *Fatima Fertilizer Company Limited - quoted* | | |
| | *6,120,000 (2017: 6,520,000) fully paid* | | |
| | *ordinary shares of Rs. 10 each* | | |
| | *Equity held 0.29% (2017: 0.31%)* | **198,288,000** | 219,658,800 |

**25.1** Movement in short term investment at fair value through profit or loss is as follows :

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Market value as at 01 July | | **219,658,800** | 221,288,800 |
| *Investments disposed during the year:* | | | |
| - Fair value realized | | **(12,657,400)** | - |
| - Loss on disposal of investment | | **(818,600)** | - |
| | | **(13,476,000)** | - |
| Unrealized fair value loss on re-measurement of investments | | **(7,894,800)** | (1,630,000) |
| Market value as at 30 June | | **198,288,000** | 219,658,800 |

**26 Tax refunds due from the Government - net**

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Sales tax | *26.1* | **422,419,943** | 468,115,423 |
| Income tax - net | | **402,017,136** | 402,708,450 |
| Excise duty | | **11,881,580** | 7,546,288 |
| | | **836,318,659** | 878,370,161 |

**26.1** As detailed in note 28.1, in pursuance to amendments in S.R.O 1125/(I)/2011 vide S.R.O 584(I)/2017, the Company is charging further tax at the rate 1% to unregistered person under section 3(1A) of the Sales Act, 1990 with effect from 01 July 2017. However, the Company has challenged the amendments in Honorable High Court of Lahore ('LHC') and the LHC has issued an interim stay in favor of the Company, whereas the writ petition is pending adjudication. Accordingly, an amount of Rs. 68.99 million stands payable as at year end.

**27 Cash and bank balances**

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Cash in hand | | **10,432,101** | 10,372,138 |
| Cash at banks | | | |
| *- Current accounts* | | **57,072,810** | 105,935,431 |
| *- Saving accounts* | *27.1* | **452,668** | 19,709 |
| | | **57,525,478** | 105,955,140 |
| | | **67,957,579** | 116,327,278 |

**27.1** Rate of interest and mark up on saving accounts ranges from 0.49% to 4.44% (2017: 2.87% to 6.19%) per annum.

**28 Sales - *net***

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| ***Local:*** | | | |
| Yarn | | **15,172,270,333** | 13,768,899,843 |
| Comber noil | | **258,181,585** | 79,063,259 |
| Fabric | | **3,324,509,789** | 3,974,946,998 |
| Waste | | **339,303,033** | 283,791,299 |
| | | **19,094,264,740** | 18,106,701,399 |
| Cotton and other products | | **19,709,877** | 94,434,533 |
| | | **19,113,974,617** | 18,201,135,932 |
| Less: | | | |
| Sales return | | **55,046,741** | 23,948,135 |
| Sales tax | *28.1* | **68,097,919** | - |
| | | **123,144,660** | 23,948,135 |
| Net local sales | | **18,990,829,957** | 18,177,187,797 |

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| ***Export:*** | | | |
| Yarn | | **9,729,216,102** | 6,388,966,219 |
| Fabric | | **2,387,903,027** | 1,561,490,550 |
| Comber noil | | **180,419,832** | 233,582,182 |
| | | **12,297,538,961** | 8,184,038,951 |
| | | **31,288,368,918** | 26,361,226,748 |

**28.1** This represent further tax at the rate of 1% (2017: Nil) on sale of yarn to unregistered persons with effect from 01 July 2017 under SRO 1125(1)/2011 amended vide SRO 584(1)/ 2017, dated 01 July 2017.

## 29 Cost of sales

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Raw material consumed | *29.1* | **17,070,748,350** | 16,134,160,091 |
| Packing material consumed | | **347,382,137** | 305,442,524 |
| Salaries, wages and benefits | *29.2* | **1,666,057,424** | 1,572,703,983 |
| Travelling and conveyance | | **12,159,265** | 12,850,557 |
| Power and fuel | | **2,959,168,271** | 2,581,100,070 |
| Stores and spares consumed | | **643,181,823** | 479,909,382 |
| Repair and maintenance | | **39,158,894** | 24,988,316 |
| Insurance | | **53,758,830** | 49,034,149 |
| Depreciation | *16.1.1* | **839,487,231** | 737,292,321 |
| Others | | **1,506,130** | 1,177,430 |
| | | **23,632,608,355** | 21,898,658,823 |
| ***Work-in-process*** **:** | | | |
| Balance at 01 July | | **276,835,823** | 247,793,019 |
| Balance at 30 June | | **(315,152,028)** | (276,835,823) |
| | | **(38,316,205)** | (29,042,804) |
| **Cost of goods manufactured** | | **23,594,292,150** | 21,869,616,019 |
| *Finished goods* : | | | |
| Balance at 01 July | | **1,809,881,307** | 2,270,180,548 |
| Finished goods purchased | | **4,589,768,243** | 2,187,040,347 |
| Balance at 30 June | | **(1,757,373,131)** | (1,809,881,307) |
| | | **4,642,276,419** | 2,647,339,588 |
| Cost of goods sold | | **28,236,568,569** | 24,516,955,607 |
| Cost of raw material sold | | **27,180,663** | 88,789,352 |
| | | **28,263,749,232** | 24,605,744,959 |

**29.1 Raw material consumed**

| | | | |
|---|---|---|---|
| Raw material as at 1 July | | **4,333,748,614** | 2,594,778,869 |
| Purchases and expenses | | **18,934,908,356** | 17,931,329,168 |
| Transfer from ginning unit | *29.1.1* | **354,293,400** | 108,704,323 |
| | | **19,289,201,756** | 18,040,033,491 |
| | | **23,622,950,370** | 20,634,812,360 |
| Raw material as at 30 June | | **(4,911,869,475)** | (3,889,879,163) |
| Stock-in-transit | | **(1,140,055,924)** | (443,869,451) |
| | | **(6,051,925,399)** | (4,333,748,614) |
| | | **17,571,024,971** | 16,301,063,746 |
| Duty drawback on exports | *29.1.3* | **(500,276,621)** | (166,903,655) |
| | | **17,070,748,350** | 16,134,160,091 |

**29.1.1 Production cost of ginning unit - *net***

| | **2018 Rupees** | 2017 Rupees |
|---|---|---|
| Raw material purchased and consumed | **446,865,176** | 144,124,246 |
| Lease charges | **1,250,000** | 1,250,000 |
| Salaries, wages and benefits | **6,865,168** | 4,353,132 |
| Travelling and conveyance | **572,659** | 555,125 |
| Repair and maintenance | **1,790,178** | 207,118 |
| Store consumption | **504,716** | 181,038 |
| Utilities | **143,720** | 64,101 |
| Entertainment | **237,520** | 149,617 |
| Legal and professional | **40,070** | 40,070 |
| Printing and stationery | **38,130** | 16,954 |
| Communication | **78,020** | 46,780 |
| Insurance | **97,943** | 134,438 |
| Others | **173,570** | 86,490 |
| | **458,656,870** | 151,209,109 |
| Sale of cotton seed | **(104,363,470)** | (42,504,786) |
| Transferred to raw material consumed | **354,293,400** | 108,704,323 |

**29.1.2** The Company has acquired a cotton ginning factory from Hussain Ginneries Limited 'an associated undertaking' on operating lease basis. Its total cost of production, after adjustment of sale of cotton seed to third parties, has been transferred to the Company as raw material cost.

**29.1.3** This represents Duty Drawback on exports under Duty Drawback of Taxes Order 2017-2018 allowed by the Ministry of Textile under the Prime Minister's package of incentives for exporters.

**29.2** These include Rs. 96.11 million (2017: Rs. 73.47 million) in respect of staff retirement benefits.

| 30 | Selling and distribution expenses | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| | *Export sales:* | | | |
| | Export development surcharge | | **29,001,233** | 17,460,857 |
| | Freight, shipment and handling charges | | **235,290,351** | 179,919,469 |
| | Insurance | | **17,023,839** | 2,087,820 |
| | Commission | | **162,914,406** | 142,709,327 |
| | *Local sales:* | | | |
| | Freight, shipment, handling and other charges | | **31,409,651** | 24,559,955 |
| | Insurance | | **2,210,666** | 1,570,623 |
| | Salaries and benefits - *marketing staff* | *30.1* | **8,650,577** | 6,788,269 |
| | Commission | | **56,142,257** | 51,591,217 |
| | | | **542,642,980** | 426,687,537 |

**30.1** These include Rs. 0.86 million (2017: Rs. 0.66 million) in respect of staff retirement benefits.

| 31 | Administrative expenses | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| | Salaries and benefits | *31.1* | **166,696,705** | 149,235,476 |
| | Traveling and conveyance | *31.2* | **14,904,751** | 10,232,260 |
| | Vehicle running and maintenance | | **22,193,099** | 16,985,480 |
| | Rent, rates, taxes and fees | | **25,734,688** | 11,732,687 |
| | Electricity, gas and water | | **4,607,914** | 4,325,795 |
| | Entertainment / guest house expenses | | **16,615,643** | 12,281,780 |
| | Communication | | **12,301,266** | 11,014,395 |
| | Printing and stationery | | **6,534,987** | 6,108,231 |
| | Insurance | | **4,894,513** | 4,715,949 |
| | Repair and maintenance | | **10,412,547** | 3,535,695 |
| | Subscription / advertisement | | **3,575,729** | 4,752,410 |
| | Auditors' remuneration | *31.3* | **1,882,000** | 1,769,040 |
| | Legal and professional charges | | **1,707,975** | 5,158,855 |
| | Directors' meeting fee | | **-** | 150,000 |
| | Depreciation | *16.1.1* | **23,696,216** | 19,800,286 |
| | Others | | **4,270,050** | 2,884,475 |
| | | | **320,028,083** | 264,682,814 |

**31.1** These include Rs. 13.66 million (2017: Rs. 10.77 million) in respect of staff retirement benefits.

**31.2** These include Directors' traveling expense of Rs. 4.6 million (2017: Rs. 3.9 million).

| 31.3 Auditors' remuneration | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Fee for statutory audit | | **1,100,000** | 957,000 |
| Six month review | | **550,000** | 495,000 |
| Other certifications | | **100,000** | 185,040 |
| Out of pocket expenses | | **132,000** | 132,000 |
| | | **1,882,000** | 1,769,040 |

**32 Other expenses**

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Workers' Profit participation fund | *12.3* | **76,440,221** | 24,725,225 |
| Workers welfare fund | *12.4* | **11,162,227** | - |
| Unrealized loss on re-measurement of short term investments at fair value | *25.1* | **7,894,800** | 1,630,000 |
| Loss on sale of short term investment | *25.1* | **818,600** | - |
| Loss on disposal of property, plant and equipment | | **10,389,043** | - |
| Donations | *32.1* | **12,649,334** | 6,993,371 |
| Provision for doubtful debts | | **8,856,467** | - |
| Bad debts written off | | **308,315** | 4,061,202 |
| | | **128,519,007** | 37,409,798 |

**32.1 Donations for the year have been given to:**

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Fazal Rehman Foundation | *32.1.1* | **3,784,412** | 3,612,000 |
| Cardiology Multan Foundation | | **2,000,000** | - |
| Pakistan Cancer Patient Welfare Society | | **1,139,548** | - |
| Combine Military Hospital Multan | | **1,000,000** | - |
| S.O.S Children Village Multan | | **798,000** | 532,000 |
| Al-Noor Special Children School Multan | | **600,000** | 450,000 |
| Others | *32.1.2* | **3,327,374** | 2,399,371 |
| | | **12,649,334** | 6,993,371 |

**32.1.1** Mr. Sheikh Naseem Ahmad (Cheif Executive Officer) is amongst the trustees of the Fazal Rehman Foundation.

**32.1.2** Others' includes donations paid to various insitutions. The agregate amount paid to a single insitution is less than Rs. 0.5 million.

| 33 Other income | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| ***Income from financial assets*** | | | |
| Dividend income | *33.1* | **156,406,569** | 225,920,601 |
| Mark-up on loan to subsidiary | *18.1* | **39,193,864** | 38,338,024 |
| Mark-up on advance to associated undertaking | *24.2* | **54,201,241** | 7,729,551 |
| Exchange gain - *net* | *33.2* | **275,959,483** | 26,820,656 |
| | | **525,761,157** | 298,808,832 |
| ***From non-financial assets*** | | | |
| Gain on disposal of property, plant and equipment | | **-** | 11,419,629 |
| Reversal of provision of WWF | *12.4* | **-** | 124,867,986 |
| Scrap sales | | **16,492,965** | 8,399,481 |
| | | **16,492,965** | 144,687,096 |
| | | **542,254,122** | 443,495,928 |

**33.1** This represent annual dividend for the year ended 31 December 2017 declared and received from Fatima Fertilizer Limited 'an associated undertaking'.

**33.2** This includes net exchange gain on export sales of Rs. 392.25 million and net exchange loss on import of raw material of Rs. 116.29 million.

| | Note | **2018** | 2017 |
|---|---|---|---|
| **34 Finance cost** | | **Rupees** | Rupees |
| *Mark-up based loans from conventional banks:* | | | |
| - Long term financing - *secured* | | **514,491,718** | 480,175,441 |
| - Short term borrowings - *secured* | | **425,812,609** | 207,227,979 |
| | | **940,304,327** | 687,403,420 |
| *Islamic mode of financing:* | | | |
| - Musharika - *secured* | | **71,917,438** | 97,127,928 |
| - Short term borrowings - *secured* | | **44,942,406** | 21,457,896 |
| | | **116,859,844** | 118,585,824 |
| Bank charges | | **76,022,061** | 69,561,061 |
| Interest on workers' profit participation fund | *12.3* | **1,295,534** | 3,239,218 |
| | | **1,134,481,766** | 878,789,523 |
| **35 Taxation** | | | |
| Current | | | |
| - *for the year* | | **303,961,975** | 111,569,254 |
| - *prior year* | | **2,274,116** | (15,585,089) |
| | | **306,236,091** | 95,984,165 |
| Deferred | | | |
| - *group taxation* | | **(27,445,375)** | 145,911,952 |
| - *others* | | **(51,093,814)** | (38,774,588) |
| | | **(78,539,189)** | 107,137,364 |
| | | **227,696,902** | 203,121,529 |

**35.1** The tax provision is charged by considering the provision of section 113, 65B, 154(5) and other tax credits available under the Income Tax Ordinance, 2001. In addition to this, it also includes tax on exports and imports and income from other sources which is full and final discharge of Company's tax liability in respect of income arising from such source.

**35.2** The numerical reconciliation between the average tax rate and the applicable tax rate is as follows:

| | **2018** | 2017 |
|---|---|---|
| Applicable tax rate | **30%** | 31% |
| *Tax effect of amounts that are:* | | |
| - Effect of change in tax rate and proration rate | **-11%** | 0% |
| - Effect of prior year adjustment | **0%** | -3% |
| - Effect of minimum tax and final tax regime | **-3%** | 17% |
| - Effects of temporary/ deductible differences | **8%** | -7% |
| - Effect of group taxation | **-2%** | 25% |
| - Effect of tax credits under section 65B | **-8%** | -29% |
| - Effect of super tax under section 4B | **2%** | 0% |
| Average effective tax rate charged to profit and loss account | **16%** | 34% |

**35.4** As explained in note 46 to the financial statements, the Board of Directors in their meeting held on October 04, 2018 has recommended final cash dividend of Rs. 8.50 per ordinary share for the year ended 30 June 2018 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended 30 June 2018.

**35.5** As per management assessment, the provision for tax made in financial statement is sufficient. As detailed in note 4.19, the Company has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. Accordingly the comparison of Groups' last three years of income tax provision with tax assessments is presented below:

| Tax Years | Tax provision as per consolidated financial statements | Tax as per assessment |
|---|---|---|
| | - - - - - - - - Rupees | - - - - - - - - |
| 2015 | 133,076,099 | 178,117,650 |
| 2016 | 192,292,816 | 176,707,727 |
| 2017 | 139,148,624 | 157,007,828 |

## 36 Earnings per share - *basic and diluted*

### 36.1 Basic earnings per share

| | | 2018 | 2017 |
|---|---|---|---|
| Profit after taxation | *Rupees* | **1,213,505,070** | 388,286,516 |
| Weighted average number of ordinary shares | *No. of shares* | **30,000,000** | 30,000,000 |
| Earnings per share | *Rupees* | **40.45** | 12.94 |

### 36.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the current year as the Company has no such commitments.

**37 Fair value measurement of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Carrying amount | | | Fair value | |
|---|---|---|---|---|---|
| | **Investments, loans and receivables** | **Other financial liabilities** | **Total** | **Level 1** | **Total** |
| **As at 30 June 2018** | ---------- | ---------- | Rupees | ---------- | ---------- |
| ***Financial assets - measured at fair value*** | | | | | |
| Long term investment | **2,041,006,604** | **-** | **2,041,006,604** | **2,041,006,604** | **2,041,006,604** |
| Short term investment | **198,288,000** | **-** | **198,288,000** | **198,288,000** | **198,288,000** |
| ***Financial assets - not measured at fair value*** | | | | | |
| Long term investment* | **271,644,000** | **-** | **271,644,000** | | |
| Long term advances to associates* | **1,636,826,351** | **-** | **1,636,826,351** | | |
| Trade debts* | **4,842,378,886** | **-** | **4,842,378,886** | **-** | **-** |
| Deposits and other receivables* | **14,176,544** | **-** | **14,176,544** | **-** | **-** |
| Mark-up accrued* | **139,636,009** | **-** | **139,636,009** | **-** | **-** |
| Bank balances* | **57,525,478** | **-** | **57,525,478** | **-** | **-** |
| | **9,201,481,872** | **-** | **9,201,481,872** | **2,239,294,604** | **2,239,294,604** |
| ***Financial liabilities - not measured at fair value*** | | | | | |
| Long term financing - secured* | **-** | **7,042,048,037** | **7,042,048,037** | **-** | **-** |
| Long term musharika - secured* | **-** | **1,061,250,000** | **1,061,250,000** | **-** | **-** |
| Current portion of non-current liabilities* | **-** | **1,828,059,070** | **1,828,059,070** | **-** | **-** |
| Trade and other payables* | **-** | **1,968,936,674** | **1,968,936,674** | **-** | **-** |
| Unclaimed dividend* | | **8,971,945** | **8,971,945** | **-** | **-** |
| Short term borrowings - secured* | **-** | **7,953,052,718** | **7,953,052,718** | **-** | **-** |
| Accrued mark-up* | **-** | **275,093,224** | **275,093,224** | **-** | **-** |
| | **-** | **20,137,411,668** | **20,137,411,668** | **-** | **-** |

| | Carrying amount | | | Fair value | |
|---|---|---|---|---|---|
| | Investments, loans and receivables | Other financial liabilities | Total | Level 1 | Total |
| As at 30 June 2017 | ------------------------------ | ------------------------------ | Rupees | ------------------------------ | ------------------------------ |
| *Financial assets - measured at fair value* | | | | | |
| Long term investment | 2,122,268,904 | - | 2,122,268,904 | 2,122,268,904 | 2,122,268,904 |
| Short term investment | 219,658,800 | - | 219,658,800 | 219,658,800 | 219,658,800 |
| *Financial assets - not measured at fair value* | | | | | |
| Long term investment* | 271,644,000 | - | 271,644,000 | - | - |
| Long term advances to associates* | 872,548,045 | - | 872,548,045 | | |
| Trade debts* | 4,243,040,569 | - | 4,243,040,569 | - | - |
| Deposits and other receivables* | 102,787,712 | - | 102,787,712 | - | - |
| Mark-up accrued* | 46,240,903 | - | 46,240,903 | - | - |
| Bank balances* | 105,955,140 | - | 105,955,140 | - | - |
| | 7,984,144,073 | - | 7,984,144,073 | 2,341,927,704 | 2,341,927,704 |
| *Financial liabilities - not measured at fair value* | | | | | |
| Long term financing - secured* | - | 6,068,698,886 | 6,068,698,886 | - | - |
| Long term musharika - secured* | - | 878,750,000 | 878,750,000 | - | - |
| Current portion of non-current liabilities* | - | 1,749,460,234 | 1,749,460,234 | - | - |
| Trade and other payables* | - | 1,504,853,923 | 1,504,853,923 | - | - |
| Unclaimed dividend* | | 7,972,261 | 7,972,261 | - | - |
| Short term borrowings - secured* | - | 7,516,146,659 | 7,516,146,659 | - | - |
| Accrued mark-up* | - | 249,256,533 | 249,256,533 | - | - |
| | - | 17,975,138,496 | 17,975,138,496 | - | - |

*The Company has not disclosed the fair values of these items because their carrying amounts are a reasonable approximation of fair value

**37.1** Fair value of property, plant and equipment except furniture fixtures, office equipments and vehicles is determined by professional valuers (level 3 measurement) based on their assessment of the market values. The valuations are conducted by the valuation expert appointed by the Company. The valuation expert used a market based approach to arrive at the fair value of the Company's property, plant and equipment. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

## 38 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

### 38.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over-sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

### 38.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual counterparty. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Most of the customers are also secured, where possible, by way of letters of credit.

Total financial assets of Rs. 10,761.75 million (2017: Rs. 10,067.45 million) are subject to credit risk.

***Exposure to credit risk***

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the statement of financial position date is:

| | **2018** | 2017 |
|---|---|---|
| ***Available for sale*** | **Rupees** | Rupees |
| Long term investments | **3,742,134,094** | 3,823,396,394 |
| ***Held for trading*** | | |
| Short term investment | **198,288,000** | 219,658,800 |

***Loans and receivables***

| | 2018 | 2017 |
|---|---|---|
| Long term loan and advances | **1,636,826,351** | 872,548,045 |
| Trade debts | **4,842,378,886** | 4,243,040,569 |
| Deposits and other receivables | **14,176,544** | 102,787,712 |
| Mark-up accrued, associated companies | **139,636,009** | 46,240,903 |
| Bank balances | **57,525,478** | 105,955,140 |
| | **10,630,965,362** | 9,413,627,563 |

**38.2 (a)** ***Other financial assets***

The credit quality of Company's investments can be assessed with reference to external credit rating agencies as follows:

| ***Long term investment*** | **Rating** | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| Fatima Fertilizers Company Limited | AA- | **2,041,006,604** | 2,122,268,904 |
| Fazal Weaving Mills Limited | A- | **250,000,000** | 250,000,000 |
| Fatima Energy Limited | N/A | **1,374,213,490** | 1,374,213,490 |
| Fatima Transmission Company Limited | N/A | **55,200,000** | 55,200,000 |
| Multan Real Estate (Private) Limited | N/A | **21,644,000** | 21,644,000 |
| ***Short term investment*** | | | |
| Fatima Fertilizers Company Limited | AA- | **198,288,000** | 219,658,800 |
| | | **3,940,352,094** | 4,042,985,194 |

**38.2 (b)** ***Counterparties with external credit rating***

Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

| **Bank** | **Rating** | | **Rating agency** | **2018** | 2017 |
|---|---|---|---|---|---|
| | **Short term** | **Long term** | | **Rupees** | Rupees |
| Allied Bank Limited | A1+ | AAA | PACRA | **155,866** | 12,649,344 |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | **2,005,109** | 5,435,360 |
| MCB Bank Limited | A1+ | AAA | PACRA | **4,723,440** | 7,598,272 |
| Meezan Bank Limited | A-1+ | AA+ | JCR-VIS | **100,000** | 21,309,633 |
| UBL Bank Limited | A-1+ | AAA | JCR-VIS | **6,048,486** | 2,516,710 |
| Standard Chartered Bank Pakistan Limited | A-1 | AA- | PACRA | **1,979,268** | 3,861,693 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | **5,161,870** | 6,503,247 |
| Soneri Bank Limited | A1+ | AA- | PACRA | **1,297,378** | 19,468,048 |
| Bank Al Falah Limited | A1+ | AA+ | PACRA | **5,753,502** | 4,648,931 |
| Askari Bank Limited | A1+ | AA+ | PACRA | **397,264** | 2,299,452 |
| The Bank of Punjab | A1+ | AA | PACRA | **652,269** | 2,297,599 |
| The Bank of Khyber | A1 | A | PACRA | **13,023,686** | 922,591 |
| Bank Al Habib Limited | A1+ | AA+ | PACRA | **424,000** | 1,044,256 |
| Bank Islamic Limited | A1 | A+ | PACRA | **454,034** | 79,930 |
| Dubai Islamic Bank Pakistan Limited | A-1 | AA- | JCR-VIS | **1,810,104** | 6,672,866 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | **3,413,800** | 628,582 |
| Faysal Bank Limited | A1+ | AA | PACRA | **98,698** | 7,329,670 |
| Samba Bank Limited | A-1 | AA | JCR-VIS | **660** | 3,660 |
| Silk Bank Limited | A-2 | A- | JCR-VIS | **73,295** | 73,295 |
| Summit Bank Limited | A-1 | A- | JCR-VIS | **3,474,940** | 612,001 |
| JS Bank Limited | A1+ | AA- | PACRA | **6,477,809** | - |
| | | | | **57,525,478** | 105,955,140 |

***38.2 (c)*** ***Counterparties without external credit rating***

These mainly include customers which are counter parties to trade debts. Out of total trade debts of Rs. 4,842.38 million (2017: Rs. 4,243.04 million), Rs. 3,338.36 million (2017: Rs. 2,023.68 million) are secured. The Company is exposed to credit risk. The analysis of ages of trade debts of the Company as at reporting date is as follows :

| | **2018** | 2017 |
|---|---|---|
| | **Rupees** | Rupees |
| Not yet due | **4,570,186,514** | 3,809,887,645 |
| 1 to 30 days | **218,840,873** | 280,400,061 |
| 30 to 150 days | **16,997,076** | 76,280,819 |
| 150 days and above | **36,354,423** | 76,472,044 |
| | **4,842,378,886** | 4,243,040,569 |

Based on past experience the management believes no impairment allowance is necessary in respect of investments, loans, advances, deposits and other receivables past due as some receivables have been recovered subsequent to the year end and for other balances, there are reasonable grounds to believe that the amounts will be recovered in due course.

**38.3** **Concentration of credit risk**

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

**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 to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained various short term facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

***Exposure to liquidity risk***

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

| | Weighted average effective rate of interest | 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Carrying value** | **Contractual cash flows** | **Less than one month** | **One to three months** | **Three months to one year** | **One to five years** | **Above five years** | **Total** |
| | | Rupees | | | | | | | |
| ***Financial liabilities*** | | | | | | | | | |
| Long term financing | **2.50% to 8.21%** | **9,931,357,107** | **11,635,849,640** | **167,793,887** | **396,404,662** | **1,835,862,537** | **7,152,441,156** | **2,083,347,398** | **11,635,849,640** |
| Short term borrowings | **2.55% to 8.36%** | **7,953,052,718** | **8,051,776,335** | **6,332,899,230** | **98,723,617** | **1,620,153,488** | **-** | **-** | **8,051,776,335** |
| Trade and other payables | | **2,014,085,625** | **2,014,085,631** | **317,014,827** | **1,619,535,944** | **77,534,860** | **-** | **-** | **2,014,085,631** |
| Unclaimed dividend | | **8,971,945** | **8,971,945** | **8,971,945** | **-** | **-** | **-** | **-** | **8,971,945** |
| Accrued markup | | **275,093,224** | **275,093,224** | **275,093,224** | **-** | **-** | **-** | **-** | **275,093,224** |
| | | **19,898,495,450** | **21,701,711,606** | **6,817,707,944** | **2,114,664,223** | **3,533,550,885** | **7,152,441,156** | **2,083,347,398** | **21,701,711,606** |

| | Weighted average effective rate of interest | 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Carrying value | Contractual cash flows | Less than one month | One to three months | Three months to one year | One to five years | Above five years | Total |
| | | Rupees | | | | | | | |
| *Financial liabilities* | | | | | | | | | |
| Long term financing | 2.50% to 12.70% | 8,696,909,120 | 10,082,682,657 | 133,984,718 | 373,237,582 | 1,716,799,665 | 6,377,076,123 | 1,481,584,569 | 10,082,682,657 |
| Short term borrowings | 0.90% to 7.35% | 7,516,146,659 | 7,583,372,287 | 3,850,057,310 | 2,552,488,293 | 1,180,826,684 | - | - | 7,583,372,287 |
| Trade and other payables | | 1,561,621,177 | 1,561,621,177 | 363,795,511 | 942,109,762 | 255,715,904 | - | - | 1,561,621,177 |
| Unclaimed dividend | | 7,972,261 | 7,972,261 | 7,972,261 | - | - | - | - | 7,972,261 |
| Accrued markup | | 249,256,533 | 249,256,533 | 249,256,533 | - | - | - | - | 249,256,533 |
| | | 18,031,905,750 | 19,484,904,915 | 4,605,066,333 | 3,867,835,637 | 3,153,342,253 | 6,377,076,123 | 1,481,584,569 | 19,484,904,915 |

It is not expected that the cash flows on the maturity analysis could occur significantly earlier, or at significant different amount

**38.5 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. Market risk comprises of currency risk, interest rate risk and other price risk.

**38.5.1 Currency risk**

Pakistani Rupee is the functional currency of the Company and exposure arises from transactions and balances in currencies other than Pakistani Rupee as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company's potential currency exposure comprises of:

– Transactional exposure in respect of non functional currency monetary items.

– Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

***Transactional exposure in respect of non functional currency monetary items***

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

***Transactional exposure in respect of non functional currency expenditure and revenues***

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

***Exposure to currency risk***

The Company's exposure to foreign currency risk at the reporting date is as follows:

| | **2018** | 2017 |
|---|---|---|
| | **Rupees** | Rupees |
| ***Statement of financial position items*** | | |
| Export finances | **-** | 3,134,269,328 |
| Finance against imported merchandise | **208,206,806** | - |
| Foreign debtors | **(3,338,335,649)** | (2,023,682,671) |
| Gross balance sheet exposure | **(3,130,128,843)** | 1,110,586,657 |
| ***Off statement of financial position items*** | | |
| Outstanding letters of credit | **2,469,397,647** | 2,023,716,545 |
| Net exposure | **(660,731,196)** | 3,134,303,202 |

The following significant exchange rate has been applied:

Average and spot rate

| | Average rate | | Spot rate | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | ------------ **Rupees** ------------ | | ------------ **Rupees** ------------ | |
| USD to Rupee | **109.86** | 104.90 | **121.15** | 104.80 |

***Sensitivity analysis:***

At reporting date, if the PKR had strengthened by 10.00% against the foreign currencies with all other variables held constant, profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of export finances and foreign debtors.

| ***Effect on profit and loss*** | **2018**<br>**Rupees** | 2017<br>Rupees |
|---|---|---|
| USD to Rupee | **(66,073,120)** | 313,430,320 |

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / (loss) for the year and assets / liabilities of the Company.

***Currency risk management***

Since the maximum amount exposed to currency risk is only -1.53% (2017: 6.91%) of the Company's total assets, any adverse / favorable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

**38.5.2 Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments is as follows:

| | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|
| ***38.5.2 (a) Financial Instruments*** | **Effective rate (in Percentage)** | | **Carrying amount (Rupees)** | |
| ***Financial liabilities*** | | | | |
| *Fixed rate instruments:* | | | | |
| Long term loan | **2.50 - 3.25** | 2.50 - 3.75 | **2,393,721,787** | 1,538,759,714 |
| *Variable rate instruments:* | | | | |
| Long term loan | **6.65 - 8.21** | 6.65 - 8.62 | **7,537,635,320** | 5,936,899,406 |
| Short term running finance | **2.55 - 8.36** | 6.13 - 7.35 | **7,953,052,718** | 7,516,146,659 |
| Export finances | **-** | 0.90 - 3.73 | **-** | 2,485,262,665 |
| ***Financial assets*** | | | | |
| *Variable rate instruments:* | | | | |
| Loan to Subsidiary Company | **7.26 - 7.86** | 7.22 - 7.29 | **530,000,000** | 530,000,000 |
| Advance for issue of shares | **7.76 - 8.36** | 7.72 - 7.79 | **1,106,826,351** | 342,548,045 |
| Saving accounts | **0.49 - 4.44** | 2.87 - 6.19 | **452,668** | 19,709 |

***38.5.2 (b) 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 rates at the reporting date would not affect profit or loss account.

***38.5.2 (c) Cash flow sensitivity analysis for variable rate instruments***

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or (loss) for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | **Profit or loss** | |
|---|---|---|
| | **100 bps Increase** | 100 bps Decrease |
| | **- - - - - - - - Rupees - - - - - - - -** | |
| **As at 30 June 2018** | **138,534,090** | **(138,534,090)** |
| As at 30 June 2017 | 150,657,410 | (150,657,410) |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/ (loss) for the year and assets / liabilities of the Company.

***38.5.2 (d) Interest rate risk management***

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company's significant borrowings are based on variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

**38.5.3 Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to equity price risk because of investments held by the Company and classified on the statement of financial position at fair value through profit or loss and available for sale. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee.

***Sensitivity analysis***

The table below summarizes the Company’s equity price risk as of 30 June 2018 and 2017 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Company’s equity investment portfolio.

| | 2018 | | | |
|---|---|---|---|---|
| | **Fair value** | **"Hypothetical price change"** | **Estimated fair value after hypothetical change in prices"** | **"Hypothetical increase (decrease) in profit or (loss) / equity"** |
| | -----Rupees----- | | | |
| Financial assets at fair value through profit or loss | **198,288,000** | **10% increase** | **218,116,800** | **19,828,800** |
| | | **10% decrease** | **178,459,200** | **(19,828,800)** |
| Financial assets at fair value at available for sale | **2,041,006,604** | **10% increase** | **2,245,107,264** | **204,100,660** |
| | | **10% decrease** | **1,836,905,944** | **(204,100,660)** |
| | **2,239,294,604** | | | |

| | 2017 | | | |
|---|---|---|---|---|
| | Fair value | "Hypothetical price change" | Estimated fair value after hypothetical change in prices" | "Hypothetical increase (decrease) in profit or (loss) / equity" |
| | -----Rupees----- | | | |
| Financial assets at fair value through profit or loss | 219,658,800 | 10% increase | 241,624,680 | 21,965,880 |
| | | 10% decrease | 197,692,920 | (21,965,880) |
| Financial assets at fair value at available for sale | 2,122,268,904 | 10% increase | 2,334,495,794 | 212,226,890 |
| | | 10% decrease | 1,910,042,014 | (212,226,890) |
| | 2,341,927,704 | | | |

### 38.5.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of
- requirements for the reconciliation and monitoring of transactions

- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

## 39 Capital management

The Board of Directors' policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

**i)** to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

**ii)** to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio - calculated as a ratio of total debt to capital employed.

**39.1** Gearing ratio as at 30 June 2018 and as at 30 June 2017 are as follows:

| | **2018 Rupees** | 2017 Rupees *Restated* |
|---|---|---|
| Total debt | **17,884,409,825** | 16,213,055,779 |
| Total equity including revaluation surplus | **20,015,477,003** | 15,509,222,486 |
| Total capital employed | **37,899,886,828** | 31,722,278,265 |
| Gearing | **47%** | 51% |

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, commonly imposed by the providers of debt finance. Decrease in gearing ratio is mainly due to increase in revaluation surplus on property, plant and equipment as detailed in note 7 of these unconsolidated financial statements.

| | Financial assets | |
|---|---|---|
| | **2018** | 2017 |
| **39.2 Financial instruments by categories** | **Rupees** | Rupees |
| ***Loans and receivables*** | | |
| Long term loan to subsidiary | **530,000,000** | 530,000,000 |
| Trade debts | **4,842,378,886** | 4,243,040,569 |
| Deposits and other receivables | **14,176,544** | 102,787,712 |
| Mark-up accrued | **139,636,009** | 46,240,903 |
| Bank balances | **57,525,478** | 105,955,140 |
| | **5,053,716,917** | 4,498,024,324 |
| ***Available for sale*** | | |
| Long term investments | **3,742,134,094** | 3,823,396,394 |
| | **3,742,134,094** | 3,823,396,394 |
| ***Held for trading*** | | |
| Short term investment | **198,288,000** | 219,658,800 |
| | **198,288,000** | 219,658,800 |

| | Financial liabilities at amortized cost | |
|---|---|---|
| | **2018** | 2017 |
| | **Rupees** | Rupees |
| Long term finances - *secured* | **8,103,298,037** | 6,947,448,886 |
| Current portion of non-current liabilities | **1,828,059,070** | 1,749,460,234 |
| Trade and other payables | **1,968,936,674** | 1,504,853,923 |
| Unclaimed dividend | **8,971,945** | 7,972,261 |
| Short term borrowings - *secured* | **7,953,052,718** | 7,516,146,659 |
| Accrued markup | **275,093,224** | 249,256,533 |
| | **20,137,411,668** | 17,975,138,496 |

## 40 Reconciliation of movement of liabilities to cash flows arising from financing activities

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Long term financing | Long term musharika | Short term borrowing | Unclaimed dividend | Accrued markup | Total |
| | Rupees | | | | | |
| **As at 01 July 2017** | 7,475,659,120 | 1,221,250,000 | 7,516,146,659 | 7,972,261 | 249,256,533 | **16,470,284,573** |
| ***Changes from financing cash flows*** | | | | | | |
| Proceeds from short term borrowings - net | - | - | 436,906,059 | - | - | **436,906,059** |
| Financial charges paid - net | - | - | - | - | (1,108,645,075) | **(1,108,645,075)** |
| Proceeds from long term financing - net | 2,483,887,998 | 500,000,000 | - | - | - | **2,983,887,998** |
| Others | - | - | - | 157,500,000 | - | **157,500,000** |
| **Total changes from financing cash flows** | **9,959,547,118** | **1,721,250,000** | **7,953,052,718** | **165,472,261** | **(859,388,542)** | **18,939,933,555** |
| ***Other changes*** | | | | | | |
| Change in short term running finances | - | - | - | - | - | **-** |
| Long term financing repaid | (1,406,940,011) | (342,500,000) | - | - | - | **(1,749,440,011)** |
| Interest expense | - | - | - | - | 1,134,481,766 | **1,134,481,766** |
| Others | - | - | - | (156,500,316) | - | **(156,500,316)** |
| **Total liability related other changes** | **(1,406,940,011)** | **(342,500,000)** | **-** | **(156,500,316)** | **1,134,481,766** | **(771,458,561)** |
| **As at 30 June 2018** | **8,552,607,107** | **1,378,750,000** | **7,953,052,718** | **8,971,945** | **275,093,224** | **18,168,474,994** |

## 41 Remuneration of Chief Executive Officer, Directors, Non-Executive Directors and Executives

The aggregate amounts charged in the accounts for the year for remuneration, including all benefits to the Chief Executive Officer and Directors and Executives of the Company are as follows:

| | 2018 | | | | | 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Chief Executive Officer** | **Non-Executive Directors** | **Executive Director** | **Executives** | **Total** | Chief Executive Officer | Non-Executive Directors | Executive Director | Executives | Total |
| | Rupees | | | | | Rupees | | | | |
| | | | | | | | | | *Restated* | |
| Managerial remuneration | **4,879,211** | **8,201,188** | **4,741,512** | **14,712,105** | **32,534,016** | 4,741,512 | 9,635,811 | 4,741,512 | 10,472,548 | 29,591,383 |
| House rent and utilities | **1,198,650** | **1,984,390** | **1,185,384** | **2,942,421** | **7,310,845** | 1,439,327 | 2,856,065 | 1,185,384 | 2,094,510 | 7,575,286 |
| Medical | **138,049** | **-** | **-** | **1,471,210** | **1,609,259** | 135,893 | - | - | 1,047,255 | 1,183,148 |
| Conveyance / petrol | **-** | **-** | **-** | **60,000** | **60,000** | - | - | - | 48,000 | 48,000 |
| Insurance | **5,474** | **2,665** | **-** | **-** | **8,139** | 5,461 | - | - | - | 5,461 |
| | **6,221,384** | **10,188,243** | **5,926,896** | **19,185,736** | **41,522,259** | 6,322,193 | 12,491,876 | 5,926,896 | 13,662,313 | 38,403,278 |
| Numbers | **1** | **2** | **1** | **10** | **14** | 1 | 2 | 1 | 8 | 12 |

**41.1** In addition to above, only Non-Executive Directors were paid NIL (2017: Rs. 0.15 million) as meeting fee.

**41.2** Chief Executive Officer, directors and some of the executives are also provided with Company maintained cars and telephones at their residences for the Company's business purposes.

**41.3** These include Rs. 1.49 million (2017: Rs. 1.21 million) in respect of staff retirement benefits.

**41.4** Comparative figures has been changed to reflect the changes in definition of 'executive' as per Companies act 2017.

## 42 Number of employees

| | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|
| | (Number) | | (Number) | |
| | **Production** | | **Non - Production** | |
| Total number of employees as at 30 June | **4,722** | 4,607 | **205** | 190 |
| Average number of employees during the year | **4,665** | 4,673 | **198** | 183 |

## 43 Related party transactions and balances

The related parties comprise of associated companies, directors of the Company and entities under common directorship, key management personnel and post employment retirement plan. Amount due from and due to related parties are shown under respective notes. Other significant transactions and balances with related parties except those disclosed elsewhere are as follows:

| | Name of parties | Relationship | Basis of Relationship | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|---|
| a) | **Fazal Rehman Fabrics Limited** | Related party | Common Directorship | | |
| | Sale of goods and services - *net* | | | **1,830,981,521** | 1,156,593,737 |
| | Purchase of goods and services | | | **131,640,137** | 133,460,411 |
| | Receipts against sale of goods and services - *net* | | | **1,821,540,983** | 947,457,506 |
| | Freight and other charges incurred | | | **-** | 4,000 |
| b) | **Fatima Fertilizer Company Limited** | Related party | Common Directorship and 3.29 % (2017: 3.30%) of shareholding in associate | | |
| | Dividend Income | | | **156,406,569** | 225,920,601 |
| | Purchase / adjustment of goods and services - net | | | **-** | 5,598,811 |
| | Reimbersable expenses | | | **3,616,897** | - |
| c) | **Fatima Energy Limited** | Related party | Common Directorship and 24.11 % (2017: 24.24%) of shareholding in associate | | |
| | Long term advance | | | **752,718,716** | 304,882,685 |
| | Mark-up accrued on advance | | | **47,111,942** | 5,468,658 |
| | Purchase of goods and services | | | **12,690,109** | 990,016 |
| | Payments against purchase of goods and services-net | | | **6,152,588** | 4,831,935 |
| d) | **Fatimafert Limited** | Related party | Common Directorship | | |
| | Sale of goods and services | | | **4,414,554** | - |
| e) | **Reliance Weaving Mills Limited** | Related party | Common Directorship | | |
| | Sale of goods and services | | | **24,361,706** | 26,052,614 |
| | Purchase of goods and services | | | **1,490,000** | 5,979,733 |
| | Receipts against sale of goods and services - net | | | **23,134,688** | 23,393,787 |

| | | | | | |
|---|---|---|---|---|---|
| f) | **Ahmed Fine Textile Mills Limited** | Related party | Common Directorship | | |
| | Sale of goods and services | | | **25,535,479** | 26,373,283 |
| | Purchase of goods and services | | | **592,965,561** | 394,873,086 |
| | Payment against sale of goods and services - net | | | **495,967,704** | 374,195,704 |
| g) | **Fazal-ur-Rehman Foundation, Multan** | Related party | Common Directorship | | |
| | Donations | | | **3,784,412** | 3,163,300 |
| h) | **Fazal Weaving Mills Limited** | Related party | Wholly owned subsidiary | | |
| | Sale of goods and services | | | **336,162,949** | 853,229,632 |
| | Purchase of goods and services | | | **3,856,768,909** | 1,609,672,238 |
| | Payments against purchase of goods and services-net | | | **3,027,236,676** | 44,287,731 |
| | Mark-up / payment on loan - net | | | **39,193,863** | 21,424,631 |
| i) | **Hussain Ginneries Limited** | Related party | Common Directorship | | |
| | Expenses incurred on behalf of associate | | | **11,901,194** | 7,102,798 |
| | Receipts against expenses | | | **10,937,500** | 6,188,500 |
| j) | **Fatima Transmission Company Limited** | Related party | Common Directorship | | |
| | Long term advance | | | **11,559,590** | 11,761,200 |
| | Mark-up accrued on long term advance | | | **1,464,889** | 1,945,323 |
| k) | **Fatima Electric Company Limited** | Related party | Common Directorship and 20.00% (2017:20.00%) shareholding in associate | | |
| | Investment made | | | **-** | 70,000 |
| | **Pak Arab Energy** | Related party | | | |
| | Advance for purchase of shares | | | **-** | 25,904,160 |
| | Mark-up accrued on advance for purchase of shares | | | **2,045,150** | 315,570 |

All transactions with related parties have been carried out on commercial terms and conditions except due from subsidiary on account of non trading activities.

## 44 Geographical information

The Company operates in one principal geographical area. The Company's gross revenue from external customers by geographical location is detailed below:

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Domestic Sales | 28 | **18,990,829,957** | 18,177,187,797 |
| Export Sales | 44.1 | **12,297,538,961** | 8,184,038,951 |
| | | **31,288,368,918** | 26,361,226,748 |

**44.1** Country wise export sales are as under

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| China | **6,338,788,292** | 2,065,502,763 |
| United States of America | **1,020,606,120** | 1,140,417,308 |
| Portugal | **692,895,117** | 774,508,018 |
| Turkey | **683,225,693** | 805,262,605 |
| Hong Kong | **691,998,798** | 867,321,998 |
| Germany | **360,845,895** | 364,089,897 |
| Singapore | **358,165,190** | 397,445,802 |
| Italy | **338,485,475** | 92,917,381 |
| Bangladesh | **299,568,864** | 372,128,494 |
| Belgium | **223,651,275** | 113,434,938 |
| Poland | **224,164,236** | 123,532,234 |
| Colombia | **177,163,134** | 31,132,494 |
| Korea | **155,853,507** | 93,909,623 |
| Others | **732,127,365** | 942,435,396 |
| | **12,297,538,961** | 8,184,038,951 |

**44.1.1** All export sales during the year are secured against letter of credit.

## 45 Capacity and production

**Spinning:**

| | | 2018 | 2017 |
|---|---|---|---|
| Number of spindles installed | | **197,556** | 196,596 |
| Number of rotors and VS spindles installed | | **3,132** | 2,604 |
| *Number of shifts worked* | | | |
| Unit I, II and IV | | **1,094** | 1,094 |
| Unit III | | **1,094** | 1,094 |
| Number of spindles - *shifts worked* | | **216,126,264** | 210,844,703 |
| Capacity at 20's count | *Kgs.* | **85,249,641** | 79,021,380 |
| Actual production of all counts | *Kgs.* | **69,976,500** | 65,226,050 |
| Actual production converted into 20's count | *Kgs.* | **88,638,534** | 78,806,224 |

**Weaving:**

| | | | |
|---|---|---|---|
| Number of looms installed | | **224** | 224 |
| Number of looms worked | | **224** | 224 |
| Number of shifts worked | | **1,094** | 1,094 |
| Standard cloth production | Mtr. | **46,502,793** | 47,063,507 |
| Actual cloth production | Mtr. | **42,604,464** | 43,576,101 |

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

**46 Non adjusting event after statement of financial position date**

The Board of Directors of the Company in their meeting held on October 04, 2018 has proposed a final cash dividend of Rs. 8.50 per share (2017: Rs. 5.25 per share) for the year ended 30 June 2018 held for approval of the members in the Annual General Meeting to be held on October 27, 2018. These financial statements do not include the effect of this proposed final cash dividend and will be accounted for subsequent to year end.

**47 Corresponding figures**

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of the unconsolidated financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017.

**48 Date of authorization of financial statements**

These financial statements were authorized for issue on October 04, 2018 by the Board of Directors of the company.

**49 General**

Figures have been rounded off to the nearest Rupee, except stated otherwise.

**(SHEIKH NASEEM AHMAD)**
**CHIEF EXECUTIVE OFFICER**

**(REHMAN NASEEM)**
**DIRECTOR**

**(MUHAMMAD AZAM)**
**CHIEF FINANCIAL OFFICER**

# Fazal Cloth Mills Limited ( The Group)

## Consolidated Financial Statements

## for the year ended 30 June 2018

# Directors Report

Directors of Fazal Cloth Mills Limited and its subsidiary company (the Group) are pleased to present annual report of the Group for the year ended 30 June 2018. The consolidated results comprise of financial statements of Fazal Cloth Mills Limited and Fazal Weaving Mills Limited. The holding Company has annexed its consolidated financial statements along with its separate financial statement in accordance with International Accounting Standard 27 (Consolidated and Separate Financial Statements). The Directors' Report, giving commentary on the performance of Fazal Cloth Mills Limited for the year ended June 30, 2018 has been presented separately. It also includes a brief description of the subsidiary company.

**FINANCIAL PERFORMANCE**

Financial performance of the Group improved during the current year. Profit after tax of the Group increased to Rupees 1,276.53 million in financial year 2017-18 from Rupees 454.97 million in financial year 2016-17 registering an increase of 180.57%. GOP support by way of duty drawback on exports to Zero rate the same and long overdue rationalization of rupee exchange rate were main reasons for increase in profit.

Following is a summary of the key financial numbers:

| Financial Highlights: | 2018<br>Rupees in ('000') | 2017<br>Rupees in ('000') | Increase / (decrease)<br>% age |
|---|---|---|---|
| Sales – net | 33,345,189 | 30,145,614 | 10.61% |
| Cost of sales | 29,836,599 | 27,947,566 | 6.76% |
| Gross profit | 3,508,590 | 2,198,048 | 59.62% |
| EBITDA | 3,963,529 | 2,699,655 | 46.82% |
| Depreciation | 1,021,400 | 912,387 | 11.95% |
| Finance cost | 1,362,598 | 1,054,503 | 29.22% |
| Other income | 484,658 | 415,393 | 16.67% |
| Profit before tax | 1,534,750 | 708,645 | 116.58% |
| Profit after tax | 1,276,527 | 454,970 | 180.57% |
| EPS | 42.55 | 15.17 | 180.57% |

**FUTURE OUTLOOK**

The new government has announced that energy, both gas and electricity, will be provided to export oriented industries at regionally competitive prices and refund of taxes and duty drawbacks will be paid on time. It is an extremely welcome decision and a must for sustainable development of Pakistan. Official notification to implement these policies is still awaited.

It is also hoped that a market based determination of exchange rate will continue instead of GOP intervention to hold it at unrealistic values.

If the above policies are implemented your management remain hopeful of achieving consistently higher profits.

**For and on behalf of the Board**

**Dated: October 4, 2018**

**(Rehman Naseem)**
**Chairman / Directo**

# ڈائریکٹرز رپورٹ

فضل کلاتھ ملز لمیٹڈ (کمپنی) کے ڈائریکٹرز کمپنی کی سالانہ رپورٹ برائے سال 30 جون 2018 پیش کررہے ہیں۔

## کمپنی کا مالیاتی جائزہ

کمپنی کی مالیاتی کارکردگی رواں سال سخت مقابلے اور زیادہ پیداواری لاگت کے باوجود بہترین رہی رواں سال منافع بعد از ٹیکس **1,276.53** ملین روپے رہا جو کہ پچھلے مالی سال میں **454.97** ملین روپے تھا لہٰذا اضافہ **180.57%** فی صد رہا۔ منافع کی ایک وجہ برآمدات پر حکومت پاکستان کی طرف سے ڈیوٹی کی واپسی بھی تھی۔

نمایاں مالیاتی اعداد درج ذیل ہیں۔

| | 2018 Rs. (000) | 2017 Rs.(000) | اضافہ / کمی فی صد |
|---|---|---|---|
| فروختگی | 33,345,189 | 30,145,614 | 10.61% |
| فروختگی کی لاگت | 29,836,599 | 27,947,566 | 6.76% |
| گراس منافع | 3,508,590 | 2,198,048 | 59.62% |
| فرسودگی اور مالیاتی اخراجات سے پہلے کا منافع | 3,963,529 | 2,699,655 | 46.82% |
| فرسودگی | 1,021,400 | 912,387 | 11.95% |
| مالیاتی خرچہ | 1,362,598 | 1,054,503 | 29.22% |
| دوسری آمدن | 484,658 | 415,393 | 16.67% |
| منافع قبل از ٹیکس | 1,534,750 | 708,645 | 116.58% |
| منافع بعد از ٹیکس | 1,276,527 | 454,970 | 180.57% |
| فی حصص آمدنی | 42,55 | 15.17 | 180.57% |

## مستقبل کے نقطہ نظر سے ٹیکسٹائل کا کاروبار

نئی حکومت نے برامدات کی صنعت کو کم قیمت پر گیس اور بجلی کی فراہمی کا اعلان کیا ہے۔ اور اس کے ساتھ ٹیکس اور ڈیوٹی ڈرا بیک کی بھی وقتی واپسی کا اعلان کیا ہے۔ اس کا خیر مقدم کیا جاتا ہے۔ البتہ اس کو لاگو ہونے کا انتظار ہے۔

یہ امید کی جاتی ہے کہ مارکیٹ کی بنیاد پر شرح تبادلہ کا تعین جاری رہے گا۔ اگر مندرجہ بالا پالیسی لاگو ہوتی ہے تو مستقبل میں منافع میں اضافہ متوقع ہے۔

بورڈ کی طرف سے

رحمان نسیم

چیئرمین / ڈائریکٹر

# INDEPENDENT AUDITOR'S REPORT

**To the members of Fazal Cloth Mills Limited**

**Report on the Audit of the Consolidated Financial Statements**

***Opinion***

We have audited the annexed consolidated financial statements of **Fazal Cloth Mills Limited and its subsidiary** ("the Group"), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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:

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | **Revenue recognition**<br>Refer to notes 4.19, 28 and 44 to the consolidated financial statements.<br>The Group principally generates revenue from sale of yarn and fabric to domestic as well as export customers.<br>We identified revenue recognition as a key audit matter because it is one of the key performance indicator of the Group and gives rise to an inherent risk of misstatement to meet expectations or targets. | Our audit procedures, amongst others, included the following:<br>• **obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls over recording of sales;**<br>• **assessing the appropriateness of the Group's accounting policy for recording of sales and compliance of the policy with applicable accounting standards;**<br>• **comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents;**<br>• **comparing a sample of sale transactions recorded near the year end with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if the sale was recorded in the appropriate accounting period;**<br>• **inspecting on a sample basis, credit notes issued near to and subsequent to year end to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and**<br>• **scanning for any manual journal entries relating to sales recorded during and near the year end which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.** |
| 02 | **Capitalization of property, plant and equipment**<br>Refer notes 4.2 and 16 to the consolidated financial statements.<br>The Group has made significant capital expenditure on expansion of manufacturing facilities.<br>We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year. | Our audit procedures, amongst others, included the following:<br>• obtaining an understanding of and testing the design, implementation and operating effectiveness of management's key internal control over capital expenditure;<br>• comparing, on sample basis, the costs incurred on projects with supporting documentation and contracts;<br>• assessing the nature of costs incurred for the capital projects for appropriateness by comparing, on sample basis, amounts recorded with underlying documentation and considering that the expenditure meets the criteria for capitalization as per the applicable accounting standards; and |

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | | • inspecting supporting documents for the date of capitalization when project assets were ready for its intended use to assess that depreciation commenced and further capitalization of costs ceased from that date and to assess the useful life assigned by management including testing the calculation of related depreciation. |
| 03 | **Revaluation of property, plant and equipment**<br><br>Refer notes 4.3, 8 and 16 to the consolidated financial statements.<br><br>The Group follows the revaluation model for subsequent measurement of all property, plant and equipment except for office equipment, furniture and fittings and vehicles.<br><br>Latest revaluation was carried out on 28 February 2018. The valuation was performed by an external professional valuer engaged by the Group.<br><br>We identified the revaluation of the Group's property, plant and equipment as a key audit matter because the valuation involves a significant degree of judgment and estimation. | Our audit procedures, amongst others, included the following:<br><br>• obtaining and inspecting the valuation reports prepared by the external expert engaged by the Group and on which the management's assessment of the valuation of property, plant and equipment was based;<br><br>• evaluating the information provided by the Group to the external professional valuer by inspecting the relevant underlying documentation;<br><br>• involving property, plant and equipment valuation expert engaged by us to assist in evaluating the appropriateness of valuation methodology and assessing the reasonableness of key estimates and assumptions adopted in the valuations report by the valuer engaged by the Group; and<br><br>• assessing the completeness, appropriateness and adequacy of the disclosures in Group's financial statements with regard to the revaluation performed. |
| 04 | **Valuation of stock in trade**<br><br>Refer notes 4.18 and 20 to the consolidated financial statements.<br><br>The balance of gross stock-in trade at 30 June 2018 is Rs. 10,357.33 million.<br><br>We identified valuation of stock in trade as a key audit matter as it involves significant management judgment in determining the carrying value of stock in trade . | Our audit procedures, amongst others, included the following:<br><br>• assessing the appropriateness of Group's accounting policy for valuation of stock in trade and compliance of the policy with applicable standards;<br><br>• obtaining an understanding of internal controls over valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness;<br><br>• obtaining an understanding and assessing reasonableness of the management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales and their basis; and<br><br>• comparing the NRV, on a sample basis, to the cost of stock in trade to assess whether any adjustments are required to the value of stock in trade in accordance with the accounting policy. |

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| 05 | **Recoverability of long term advance to and investment in associate**<br><br>Refer notes 17 and 18 to the consolidated financial statements.<br><br>Long term advances include advance of Rs. 1,057.60 million and investments in associates include investment in Fatima Energy Limited, an unquoted associated undertaking, having carrying value of Rs. 1,289.81 million.<br><br>As at 30 June 2018, management conducted an impairment test to assess the recoverability of the carrying value of advance to and investment in associate. This was performed using a discounted cash flow model.<br><br>We identified assessing the carrying value of the advance to and investment in associate as a key audit matter because significant degree of management judgment involved in assessing the recoverable amount. | Our audit procedures, amongst others, included the following:<br><br>• discussing with the Group's management key assumptions used in the valuation model and testing the mathematical accuracy of the model;<br><br>• involving our internal valuation specialist to assist us in evaluating the assumptions and judgements adopted by management in its discounted cash flow analysis (i.e. growth rate, terminal values and the discount rate) used to derive the recoverable amount of advance to and investment in associate; and<br><br>• comparing the recoverable amount with the amount of advance and the carrying value of investment to identify impairment, if any. |

***Information Other than the Financial Statements and Auditor's Report Thereon***

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated Financial Statements***

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

***Auditor's Responsibilities for the Audit of the consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are reasonable for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

**Lahore**

**Date: 04 October, 2018**

**KPMG Taseer Hadi & Co.**
**Chartered Accountants**

# Consolidated Statement of Financial Position

| | Note | **2018 Rupees** | 2017 Rupees (Restated) | 2016 Rupees (Restated) |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| ***Share capital and reserves*** | | | | |
| Authorized share capital | | **700,000,000** | 700,000,000 | 700,000,000 |
| Issued, subscribed and paid-up capital | *5* | **300,000,000** | 300,000,000 | 300,000,000 |
| *Capital reserves* | | | | |
| - Others capital reserves | *6* | **1,525,440,947** | 1,606,703,247 | 1,622,451,755 |
| - Revaluation surplus on property, plant and equipment | *7* | **10,139,599,548** | 6,507,472,663 | 6,721,191,519 |
| Unappropriated profits - revenue reserve | | **8,818,046,544** | 7,420,558,491 | 6,833,013,573 |
| | | **20,783,087,039** | 15,834,734,401 | 15,476,656,847 |
| ***Non-current liabilities*** | | | | |
| Long term financing - *secured* | *8* | **8,139,468,219** | 7,439,660,754 | 6,048,606,436 |
| Long term musharika - *secured* | *9* | **1,069,056,619** | 889,679,269 | 1,235,301,919 |
| Deferred liabilities: | | | | |
| *- Staff retirement benefit* | *10* | **268,709,476** | 214,614,337 | 218,740,982 |
| *- Deferred taxation* | *10* | **2,201,316,664** | 2,056,716,653 | 1,943,356,018 |
| | | **11,678,550,978** | 10,600,671,013 | 9,446,005,355 |
| ***Current liabilities*** | | | | |
| Current portion of non-current liabilities | *11* | **2,200,556,658** | 1,993,979,544 | 2,019,571,354 |
| Trade and other payables | *12* | **2,859,337,711** | 2,014,405,045 | 2,009,183,733 |
| Unclaimed dividend | | **8,971,945** | 7,972,261 | 3,198,405 |
| Short term borrowings - *secured* | *13* | **10,728,556,612** | 8,940,727,933 | 4,451,122,476 |
| Accrued mark-up | *14* | **322,880,239** | 280,002,402 | 279,109,806 |
| | | **16,120,303,165** | 13,237,087,185 | 8,762,185,774 |
| **Contingencies and commitments** | *15* | | | |
| | | **48,581,941,182** | 39,672,492,599 | 33,684,847,976 |

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

**(SHEIKH NASEEM AHMAD)**
**CHIEF EXECUTIVE OFFICER**

**(REHMAN NASEEM)**
**DIRECTOR**

*As at 30 June 2018*

| | Note | 2018 Rupees | 2017 Rupees | 2016 Rupees |
|---|---|---|---|---|
| **ASSETS** | | | | |
| ***Non-current assets*** | | | | |
| Property, plant and equipment | *16* | **25,705,532,152** | 20,982,732,578 | 19,894,245,707 |
| Intangible assets | | **-** | 642,225 | 824,175 |
| Long term investments | *17* | **3,394,186,400** | 3,529,889,103 | 3,515,386,581 |
| Long term advance to associates | *18* | **1,106,826,351** | 342,548,045 | 70,000,000 |
| Long term deposits | | **24,071,493** | 24,446,493 | 24,446,493 |
| | | **30,230,616,396** | 24,880,258,444 | 23,504,902,956 |
| ***Current assets*** | | | | |
| Stores, spares and loose tools | *19* | **542,244,220** | 626,485,047 | 470,164,152 |
| Stock-in-trade | *20* | **10,357,337,703** | 7,579,999,590 | 6,218,623,311 |
| Trade debts | *21* | **5,237,758,287** | 4,619,059,328 | 2,140,698,115 |
| Loans and advances | *22* | **164,567,405** | 197,595,026 | 160,723,103 |
| Deposits, prepayments and other receivables | *23* | **589,503,123** | 315,966,485 | 82,724,652 |
| Mark-up accrued, associated companies | *24* | **81,339,057** | 27,137,816 | 19,408,265 |
| Short term investment | *25* | **198,288,000** | 219,658,800 | 221,288,800 |
| Tax refunds due from the Government - net | *26* | **1,045,989,499** | 1,062,978,019 | 656,625,409 |
| Cash and bank balances | *27* | **134,297,492** | 143,354,044 | 209,689,213 |
| | | **18,351,324,786** | 14,792,234,155 | 10,179,945,020 |
| | | **48,581,941,182** | 39,672,492,599 | 33,684,847,976 |

**(MUHAMMAD AZAM)**
**CHIEF FINANCIAL OFFICER**

# Consolidated Statement of Profit or Loss

*For the year ended 30 June 2018*

| | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| Sales - *net* | *28* | **33,345,188,767** | 30,145,613,546 |
| Cost of sales | *29* | **(29,836,598,803)** | (27,947,565,972) |
| **Gross profit** | | **3,508,589,964** | 2,198,047,574 |
| Selling and distribution expenses | *30* | **(574,724,816)** | (506,264,265) |
| Administrative expenses | *31* | **(335,143,450)** | (274,425,133) |
| Other expenses | *32* | **(141,250,592)** | (45,482,340) |
| | | **(1,051,118,858)** | (826,171,738) |
| Other income | *33* | **484,658,245** | 415,392,594 |
| **Profit from operations** | | **2,942,129,351** | 1,787,268,430 |
| Share of loss from associates - net | *34* | **(44,781,455)** | (24,121,009) |
| Finance cost | *35* | **(1,362,598,309)** | (1,054,502,575) |
| **Profit before taxation** | | **1,534,749,587** | 708,644,846 |
| Taxation | | | |
| - Group | | **(248,694,584)** | (253,674,622) |
| - Associates | | **(9,527,790)** | - |
| | *36* | **(258,222,374)** | (253,674,622) |
| **Profit after taxation** | | **1,276,527,213** | 454,970,224 |
| ***Attributable to:*** | | | |
| Equity holders of the Holding Company | | **1,276,527,213** | 454,970,224 |
| **Earnings per share - *basic and diluted*** | *37* | **42.55** | 15.17 |

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

| | | |
|---|---|---|
| **(SHEIKH NASEEM AHMAD)** | **(REHMAN NASEEM)** | **(MUHAMMAD AZAM)** |
| **CHIEF EXECUTIVE OFFICER** | **DIRECTOR** | **CHIEF FINANCIAL OFFICER** |

# Consolidated Statement of Comprehensive Income

*For the year ended 30 June 2018*

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| **Profit after taxation** | **1,276,527,213** | 454,970,224 |
| ***Other comprehensive income - net of tax*** | | |
| *Items that will never be reclassified to statement of profit or loss:* | | |
| Re-measurement of defined benefit liability | **(12,939,178)** | (6,542,814) |
| Related tax impact | **2,332,224** | 1,165,363 |
| | **(10,606,954)** | (5,377,451) |
| Re-measurement of defined benefit liability - Group's share in associates | **(131,158)** | (766,711) |
| Revaluation surplus on property, plant and equipment | **4,151,158,550** | - |
| Related deferred tax liability on revaluation surplus on property, plant and equipment | **(352,893,274)** | - |
| | **3,798,265,276** | - |
| *Items that are or may be reclassified subsequently to statement of profit or loss:* | | |
| Net change in fair value of available-for-sale financial assets | **(81,262,300)** | (15,748,508) |
| **Total comprehensive income for the year** | **4,982,792,077** | 433,077,554 |

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

| | | |
|---|---|---|
| **(SHEIKH NASEEM AHMAD)** | **(REHMAN NASEEM)** | **(MUHAMMAD AZAM)** |
| **CHIEF EXECUTIVE OFFICER** | **DIRECTOR** | **CHIEF FINANCIAL OFFICER** |

# Consolidated Statement of Changes in Equity

*For the year ended 30 June 2018*

| | Share capital | Capital reserves | | | | Revenue reserve | Total |
|---|---|---|---|---|---|---|---|
| | | Share premium | Capital redemption reserve | Fair value reserve | Revaluation surplus on property, plant and equipment | Un-appropriated profits | |
| | ------------------------------ Rupees ------------------------------ | | | | | | |
| **Balance at 30 June 2016, as previously reported** | 300,000,000 | 77,616,000 | 175,000,000 | 1,369,835,755 | - | 6,833,013,573 | 8,755,465,328 |
| Effect of restatement - note | - | - | - | - | 6,721,191,519 | - | 6,721,191,519 |
| **As at 30 June 2016 - restated** | 300,000,000 | 77,616,000 | 175,000,000 | 1,369,835,755 | 6,721,191,519 | 6,833,013,573 | 15,476,656,847 |
| ***Total comprehensive income for the year*** **:** | | | | | | | |
| Profit for the year ended 30 June 2017 | - | - | - | - | - | 454,970,224 | 454,970,224 |
| Other comprehensive loss for the year ended 30 June 2017 | - | - | - | (15,748,508) | - | (6,144,162) | (21,892,670) |
| | - | - | - | (15,748,508) | - | 448,826,062 | 433,077,554 |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax* | - | - | - | - | (213,108,348) | 213,108,348 | - |
| Transfer from revaluation surplus on property, plant and equipment on disposal - *net of tax* | - | - | - | - | (610,508) | 610,508 | - |
| ***Transactions with the owners of the Holding Company*** **:** | | | | | | | |
| Cash dividend @ Rs. 2.5 per ordinary share for the year ended 30 June 2016 | - | - | - | - | - | (75,000,000) | (75,000,000) |
| **Balance as at 30 June 2017 - brought forward** | **300,000,000** | **77,616,000** | **175,000,000** | **1,354,087,247** | **6,507,472,663** | **7,420,558,491** | **15,834,734,401** |

| | Share capital | Capital reserves | | | | Revenue reserve | Total |
|---|---|---|---|---|---|---|---|
| | | Share premium | Capital redemption reserve | Fair value reserve | Revaluation surplus on property, plant and equipment | Un-appropriated profits | |
| | Rupees | | | | | | |
| **Balance as at 30 June 2017 - carried forward** | **300,000,000** | **77,616,000** | **175,000,000** | **1,354,087,247** | **6,507,472,663** | **7,420,558,491** | **15,834,734,401** |
| ***Total comprehensive income for the year :*** | | | | | | | |
| Profit for the year ended 30 June 2018 | - | - | - | - | - | 1,276,527,213 | 1,276,527,213 |
| Other comprehensive (loss)/ income for the year ended 30 June 2018 | - | - | - | (81,262,300) | 3,798,265,276 | (10,738,112) | 3,706,264,864 |
| | - | - | - | (81,262,300) | 3,798,265,276 | 1,265,789,101 | 4,982,792,077 |
| Effect on deferred tax due to change in tax rate and proportion rate | - | - | - | - | 123,060,561 | - | 123,060,561 |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax* | - | - | - | - | (271,866,614) | 271,866,614 | - |
| Transfer from surplus on revaluation of fixed assets on disposal - *net of tax* | - | - | - | - | (17,332,338) | 17,332,338 | - |
| ***Transactions with the owners of the Holding Company :*** | | | | | | | |
| Cash dividend @ Rs. 5.25 per ordinary share for the year ended 30 June 2017 | - | - | - | - | - | (157,500,000) | (157,500,000) |
| **Balance as at 30 June 2018** | **300,000,000** | **77,616,000** | **175,000,000** | **1,272,824,947** | **10,139,599,548** | **8,818,046,544** | **20,783,087,039** |

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

**(SHEIKH NASEEM AHMAD)**
**CHIEF EXECUTIVE OFFICER**

**(REHMAN NASEEM)**
**DIRECTOR**

**(MUHAMMAD AZAM)**
**CHIEF FINANCIAL OFFICER**

# Consolidated Statement of Cash Flows

*For the year ended 30 June 2018*

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Profit before taxation | | **1,534,749,587** | 708,644,846 |
| *Adjustments for:* | | | |
| Depreciation on property, plant and equipment | *16.1.1* | **1,021,399,699** | 912,386,644 |
| Amortization of intangibles assets | | **136,464** | 181,950 |
| Impairment loss of goodwill | *31* | **505,761** | - |
| Unrealized loss on re-measurement of short term investment | *32* | **7,894,800** | 1,630,000 |
| Provision for doubtful debts | *32* | **8,856,467** | - |
| Provision for gratuity | *10.1.3* | **128,753,701** | 94,688,411 |
| Provision for infrastructure cess | | **67,253,913** | 81,875,201 |
| Provision for workers' profit participation fund | *32* | **85,835,267** | 32,196,742 |
| Provision for workers' welfare fund | *32 & 33* | **14,449,516** | (124,867,986) |
| Loss / (gain) on disposal of property, plant and equipment | *32 & 33* | **10,389,043** | (11,419,630) |
| Loss on sale of short term investments | *32* | **818,600** | - |
| Dividend income | *33* | **(156,406,569)** | (225,920,601) |
| Share of loss from associates | *34* | **44,781,455** | 24,121,009 |
| Finance cost | *35* | **1,362,598,309** | 1,054,502,575 |
| **Cash generated from operations before working capital changes** | | **4,132,016,013** | 2,548,019,161 |
| ***Effect on cash flows due to working capital changes*** | | | |
| *(Increase) / decrease in current assets:* | | | |
| Stores, spares and loose tools | | **84,240,827** | (156,320,895) |
| Stock-in-trade | | **(2,777,338,113)** | (1,361,376,279) |
| Trade debts | | **(627,555,426)** | (2,478,361,213) |
| Loans and advances | | **33,027,621** | (36,871,923) |
| Deposits, prepayments and other receivables | | **(273,536,638)** | (233,241,833) |
| | | **(3,561,161,729)** | (4,266,172,143) |
| *Increase in current liabilities:* | | | |
| Trade and other payables | | **677,393,980** | 16,017,356 |
| **Cash generated / (used in) from operations** | | **1,248,248,264** | (1,702,135,626) |
| Gratuity paid | *10.1.2* | **(87,597,740)** | (105,357,870) |
| Taxes paid - net | | **(314,606,552)** | (545,501,234) |
| Finance cost paid - net | | **(1,373,921,713)** | (1,061,339,530) |
| | | **(1,776,126,005)** | (1,712,198,634) |
| **Net cash generated from used in operating activities** | | **(527,877,741)** | (3,414,334,260) |
| ***Cash flows from investing activities*** | | | |
| Fixed capital expenditure | | **(1,637,991,715)** | (2,008,815,042) |
| Proceeds from sale of property, plant and equipment | | **34,561,949** | 19,361,157 |
| Long term investments | | **-** | (70,000) |
| Long term loan and advances | | **(764,278,306)** | (327,616,795) |
| Proceeds from sale of short term investments | | **12,657,400** | - |
| Long term deposits | | **375,000** | - |
| Dividend received | | **156,406,569** | 225,920,601 |
| **Net cash used in investing activities** | | **(2,198,269,103)** | (2,091,220,079) |
| ***Cash flows from financing activities*** | | | |
| Long term financing obtained | | **2,533,887,998** | 3,429,363,417 |
| Long term financing repaid | | **(1,602,503,419)** | (2,182,650,910) |
| Long term musharika obtained | | **500,000,000** | - |
| Long term musharika repaid | | **(345,622,650)** | (226,872,650) |
| Short term borrowings - *net* | | **1,787,828,679** | 4,489,605,457 |
| Dividend paid | | **(156,500,316)** | (70,226,144) |
| **Net cash generated from financing activities** | | **2,717,090,292** | 5,439,219,170 |
| **Net decrease in cash and cash equivalents** | | **(9,056,552)** | (66,335,169) |
| **Cash and cash equivalents at 01 July** | | **143,354,044** | 209,689,213 |
| **Cash and cash equivalents at 30 July** | | **134,297,492** | 143,354,044 |

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

**(SHEIKH NASEEM AHMAD)**
**CHIEF EXECUTIVE OFFICER**

**(REHMAN NASEEM)**
**DIRECTOR**

**(MUHAMMAD AZAM)**
**CHIEF FINANCIAL OFFICER**

# Notes to the Consolidated Financial Statements

*For the year ended 30 June 2018*

## 1 Corporate and general information

### 1.1 Reporting entity

| The Group comprises of | Shareholding | Nature |
|---|---|---|
| - Fazal Cloth Mills Limited ('Holding Company) | | Spinning and weaving |
| - Fazal Weaving Mills Limited ('Subsidiary Company') | 100% | Spinning |
| ***Associated companies*** : | | |
| - Fatima Energy Limited ('FEL') | 24.11% | Energy generation |
| - Fatima Transmission Company Limited | 24.00% | Transmission of energy |
| - Fatima Electric Company Limited ('FECL') | 20.00% | Supply, generation and distribution of energy |

**1.1.1** The Holding Company was incorporated in Pakistan in 1966 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the Company are quoted on Pakistan Stock Exchange ('PSX'). The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of yarn and fabric. The manufacturing facilities and warehouses are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

**1.1.2** The Subsidiary Company was incorporated in Pakistan in 1989 as a public limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is engaged in the manufacture and sale of yarn. The manufacturing facility and warehouse of the Company is located at Mauza Khairabad, Qadir Pur Rawan By Pass, Khanewal Road, Multan in the province of Punjab. The Subsidiary Company commenced its commercial production on 01 April 2014.

### 1.2 Summary of significant events in the current reporting period

The Group's financial position and performance was particularly affected by the following events during the reporting period:

- The Group incurred significant capital expenditure mainly on imported plant and machinery as part of its capacity enhancement and balancing, modernization and replacement of spinning machinery. Capital expenditure has been financed through long term borrowings and internal cash generation.
- The Holding Company gave long term advance of Rs. 752.71 million to FEL, an associated undertaking. Refer note 18 for amount advanced to FEL.

- The accounting policy for revaluation surplus on certain items of property, plant and equipment changed during the year as detailed in note 4.1 to these consolidated financial statements. Consequently, the amount of revaluation surplus reported outside the equity in prior years has been reclassified to equity. Furthermore, revaluation of property, plant and equipment was carried out during the year which resulted in a surplus of Rs. 4,151.16 million.

- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified.

## 2 Basis of preparation

### 2.1 Consolidated financial statements

These Consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2018 and the audited financial statements of the Subsidiary Company for the year ended 30 June 2018. Details regarding the financial information of associated companies used in the preparation of these consolidated financial statements are given in note 17 to these consolidated financial statements.

### 2.2 Statement of compliance

These consolidated 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') issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act 2017;

- Islamic Financial Accounting Standards ('IFAS') issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

- Provision of and directives issued under the Companies Act, 2017.

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

### 2.3 Basis of measurement

These consolidated financial statements have been prepared under historical cost convention, except for the following:

- translation of foreign currency at spot rate / average rate;
- recognition of employee retirement benefits at present value;
- long term investments classified as available for sale which are stated at fair value;

- certain property, plant and equipment at revalued amounts; and
- certain other financial instruments at fair value and / or amortized cost.

In these consolidated financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

**2.4 Functional and presentation currency**

These consolidated financial statements have been prepared in Pak Rupees ('Rs.') which is the Group's functional currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

**2.5 Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on these consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

**2.5.1 Property, plant and equipment**

The Group reviews the useful lives, residual values, depreciation method and rates for each item of property, plant and equipment on regular basis by considering expected pattern of economic benefits that the Group expects to derive from that item and the maximum period unto which the such benefits are expected to be available. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

**2.5.2 Recoverable amount of assets / cash generating units and impairment**

The management of the Group reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

**2.5.3 Revaluation of property, plant and equipment**

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three to five years.

**2.5.4 Intangible assets**

The Group reviews the rate of amortisation and value of intangible assets for possible impairment, on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding effect on the amortisation charge and impairment.

**2.5.5 Stores, spares, loose tools and stock-in-trade**

The Group reviews the stores, spares, loose tools and stock-in-trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock-in-trade with a corresponding effect on the provision.

**2.5.6 Provision for doubtful debts, loans, advances, deposits and other receivables**

The Group reviews the recoverability of its trade debts, loans, advances, deposits and other receivables at each reporting date to assess whether provision should be recorded in the consolidated statement of profit or loss. In particular, judgment by management is required in the estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on certain assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

**2.5.7 Contingencies**

The Group reviews the status of all pending litigations and claims against the Group. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the consolidated statement of financial position date. However, based on the best judgment of the Group and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the consolidated statement of financial position date, except otherwise stated.

**2.5.8 Employee benefits**

The Group operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The Projected Unit Credit method used for the valuation of the scheme is based on assumptions stated in note 10.1.

**2.5.9 Taxation**

The Group takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group's views differ from the views taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Group also regularly reviews the trend of proportion of incomes between 'Final Tax Regime' income and 'Normal Tax Regime' income and the change in proportions, if significant, is accounted for in the year of change.

**3 New/ revised accounting Standards and IFRIC interpretations**

**3.1 Standards, amendments or interpretations which became effective during the year**

During the year, certain amendments or new interpretations became effective. However, the amendments or interpretation did not have any material effect on the consolidated financial statements of the Group, except for those which have been specifically disclosed in these consolidated financial statements.

**3.2 New Companies Act, 2017 and new and revised approved accounting standards, IFRIC interpretations and amendments**

**3.2.1** With effect from 01 January 2018, Companies Act, 2017 ('Act') has become applicable. The new Act specified certain additional disclosures to be included in these financial statements. Accordingly, the Group has presented the required disclosures in these consolidated financial statements and restated certain comparatives. However, there was no significant change in the reported amounts of statement of profit or loss and other comprehensive income or the amounts presented in the statement of financial position due to these restatements, except for the change referred to in note 4.1 and disclosed otherwise.

**3.2.2** The following International Financial Reporting Standards ('IFRS Standards') as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on these consolidated financial statements.

- Transfers of Investment Property (Amendments to IAS 40 ‘Investment Property’, effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on these consolidated financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through consolidated statement of profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The annual improvements are not likely to have impact on these consolidated financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on these consolidated financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on these consolidated financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes. The management of the Group is in process of evaluating the impact on these consolidated financial statements.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-consolidated statement of financial position lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The management of the Group is in process of evaluating the impact on adoption of the standard to these consolidated statement of financial position.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on these consolidated financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on these consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a Group increases its interest in a joint operation that meets the definition of a business. A Group remeasures its previously held interest in a joint operation when it obtains control of the business. The Group does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that a Group treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above annual improvement cycle is effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on these consolidated financial statements.

## 4 Summary of Significant Accounting Policies

The significant accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, except as disclosed in note 4.1.

### 4.1 Changes in accounting policies

Upto 30 June 2017, revaluation surplus on revaluation on certain items of property, plant and equipment being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation was credited to the revaluation surplus of land, factory building, non-factory building, plant and machinery, electric fittings and installation, tools, laboratory equipment and arms and fire extinguishing equipment and scales account. With effect from 01 January 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of certain operating fixed assets has not been carried forward in the Companies Act, 2017. Accordingly, the management has changed the accounting policy to bring accounting of revaluation surplus on land, factory building, non-factory building, plant and machinery, electric fittings and installations, sui gas installations, tools, laboratory equipment and arms and fire extinguishing equipment and scales in accordance with IAS 16 'Property, plant and equipment'. The effect of this change in accounting policy, which has been applied with retrospective effect, has resulted in transfer of revaluation surplus of land, factory building, non-factory building, plant and machinery, electric fittings and installations, sui gas installations, tools, laboratory equipment and arms and fire extinguishing equipment and scales to equity which was previously being presented outside the equity.

The effect of this change in accounting policy, which is applied with retrospective effect, has resulted in transfer of revaluation surplus on items of property, plant and equipment - net of tax to equity by restating the corresponding figures which resulted in increase in equity by Rs. 6,511.47 million and Rs. 6,306.37 million as at 30 June 2016 and 30 June 2017 respectively.

### 4.2 Property, plant and equipment

***Owned***

Freehold land is measured at revalued amount less impairment if any.

Factory building','non-factory building','plant and machinery', 'electric fitting and installations', 'tools', 'laboratory equipment and arms' and 'fire extinguishing equipment and scales' are measured at revalued amount less accumulated depreciation and impairment if any.

Office equipment, furniture fixture and vehicles are measured at cost less accumulated depreciation and impairment if any.

Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and other costs directly attributable to the acquisition or construction including expenditures on material, labor and overheads directly relating to construction, erection and installation of operating fixed assets.

Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Group, at the rates specified in note 16.1. Depreciation on additions is charged full in the month of the asset is available for use and nil in the month the asset is disposed off.

An item of property, plant and equipment is de-recognized when permanently retired from use. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Group and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

The assets' residual values and useful lives are continually reviewed by the Group and adjusted if impact on depreciation is significant. The Group's estimate of residual values of property, plant and equipment as at 30 June 2018 has not required any adjustment as its impact is considered insignificant.

***Capital work-in-progress***

Capital work in progress is stated at cost less identified impairment loss, if any. Cost includes the expenditures on material, labour, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets as stated in note 4.7. These costs are transferred to operating fixed assets as and when assets are available for their intended use.

**4.3 Revaluation surplus on property, plant and equipment**

Revaluation of items of property, plant and equipment measured at revalued amount is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase arising on the revaluation is recognized, by restating gross carrying amounts and accumulated depreciation of respective assets being revalued in proportion to the change in their carrying amounts due to revaluation, in other comprehensive income and presented as a separate component of equity as 'Revaluation surplus on property, plant and equipment', except to the extent that it reverses a revaluation decrease for the same asset previously recognized in consolidated statement of profit or loss, in which case the increase is credited to consolidated statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation is charged to consolidated statement of profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Group's shareholders. The revaluation surplus on item of property, plant and equipment measured at revalued amount, except land, is transferred to unappropriated profit to the extent of incremental depreciation charged (net of deferred tax).

During the year, the Group changed its accounting policy in respect of the accounting and presentation of revaluation surplus on items of property, plant and equipment measured at revalued amount. Previously, the Group's accounting policy was in accordance with the provisions of repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the Group was not in alignment with the accounting treatment and presentation of revaluation surplus as prescribed IAS 16 'Property, Plant and Equipment'. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation surplus, accordingly the Group has changed the accounting policy to bring in conformity with the accounting treatment and presentation of revaluation of property, plant and equipment as specified in IAS 16 'Property, Plant and Equipment'. The detailed information and impact of this change in policy is provided in note 4.1 to these consolidated financial statements.

### 4.4 Lease

***Operating lease***

Lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of profit on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the Group's benefit.

### 4.5 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over the estimated useful life of three years. Amortisation of intangible assets is commenced from the date an asset is capitalized.

### 4.6 Impairment

***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in consolidated statement of profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized. Reversal of impairment loss is recognized in consolidated statement of profit or loss except in the case of available for sale instruments where the reversal is included in other comprehensive income.

***Non-financial assets***

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any evidence of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated statement of profit or loss.

Impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

**4.7 Borrowings cost**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

**4.8 Taxation**

Income tax expense comprises current tax and deferred tax. It is recognized in consolidated statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in equity.

***Current***

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

The Group has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001 since 2014.

***Deferred***

Deferred tax is recognized using consolidated statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. 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 realized. Further, the Group recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

Further, the Group accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognized in consolidated statement of profit or loss, any related tax effects are also recognized in consolidated statement of profit or loss. For transactions and other events recognized outside consolidated statement of profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognised outside consolidated statement of profit or loss (either in other comprehensive income or directly in equity, respectively).

Deferred tax is charged or credited in the consolidated statement of profit or loss, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in consolidated comprehensive income or equity.

**4.9 Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in consolidated statement of profit or loss.

### 4.10 Staff retirement benefits

The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Calculation of defined benefit obligation is performed annually by a qualified actuary using the 'Projected Unit Credit Method'. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if, any excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan is recognized in consolidated statement of profit or loss.

Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, is recognized immediately in other comprehensive income. The Group determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plan are recognized in the consolidated statement of profit or loss.

### 4.11 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each consolidated statement of financial position date and adjusted to reflect current best estimate.

### 4.12 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and 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 Group; or

- there is present 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.

### 4.13 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instruments. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item. The Group de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is de-recognized from the consolidated statement of financial position, when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition or de-recognition of the financial assets and liabilities is included in the consolidated statement of profit or loss currently.

Significant financial assets include long term loan, long term deposits, short term investments, trade debts, loans and advances, deposits, other receivables, mark-up accrued, short term investments and cash and bank balances.

Significant financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include long and short term financing, trade and other payables and accrued markup.

### 4.14 Mark - up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

### 4.15 Investments

Investment intended to be held for less than twelve months from the consolidated statement of financial position date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non current assets. Management determine the appropriate classification of its investments at the time of the purchase and reevaluates such designation on a regular basis.

#### 4.15.1 Available-for-sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available-for-sale. These are initially measured at cost, being a fair value of consideration given. At subsequent reporting date, these investments are remeausred at fair value. Unrealized gain and loss arising form the changes in fair value are directly recognized in equity in the period in they arise. Cumulative gains and losses arising from changes in fair value are included in consolidated statement of profit or loss for the period in which investment is derecognized. Fair value of quoted investments is their bid price at the consolidated statement of financial position date.

**4.15.2 Investments at fair value through profit or loss**

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognized as income in statement of profit or loss.

**4.16 Basis of consolidation**

**a) *Business combinations***

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

**i)** the fair value of the consideration transferred; plus

**ii)** the recognized amount of any non-controlling interests in the acquiree; plus

**iii)** if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

**iv)** the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statement of profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in consolidated statement of profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in consolidated statement of profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future service.

**b)** ***Non-controlling interest***

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

**i)** at fair value; or

**ii)** at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in consolidated statement of profit or loss.

**c)** ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**d)** ***Loss of control***

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in consolidated statement of profit or loss. The Group transfers the revaluation surplus directly to retained earnings when it loses control of the subsidiary. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

e) ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

f) ***Associates***

Entities in which the Group has significant influence but not control and which are neither subsidiaries nor joint ventures of the members of the Group are associates and are accounted for under the equity method of accounting (equity accounted investees).

These investments are initially recognized at cost. The consolidated financial statements include the share of associates' profit or loss and movements in other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases. Share of post acquisition profit or loss of associates is recognized in consolidated statement of profit or loss. Distributions received from associates reduce the carrying amount of investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment (including any long-term interests that, in substance, form part of the Group's net investment in the associate) is reduced to nil and the recognition of further losses is discontinued.

The carrying amount of investments in associates is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to consolidated statement of profit or loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of the investments. A reversal of impairment loss is recognized in the consolidated statement of profit or loss. The impairment loss is recognized to a maximum of nil value of the investment.

**4.17 Stores, spares and loose tools**

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

**4.18 Stock-in-trade**

These are stated at the lower of cost and net realizable value except for waste stock which is valued at net realizable value.

Cost has been determined as follows:

| | |
|---|---|
| - Raw materials | Weighted average cost |
| - Work-in-process and finished goods | Cost of direct materials, labour and appropriate manufacturing overheads. |

Materials in transit comprises of invoice value plus other charges paid thereon.

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

**4.19 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

– Sales are recorded when significant risks and rewards of ownership of the goods are transferred to the customers.

– Dividend income is accounted for when the right to receive is established.

– Interest income is recognized as and when accrued using effective interest method.

**4.20 Loan and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

***Long term advances and deposits***

At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition these are measured at amortised cost using the effective interest rate method less impairment loss, if any. A provision for impairment of long term loan is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of advance.

***Trade debts***

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

**4.21 Cash and cash equivalents**

Cash and cash equivalents for the purpose of consolidated statement of cash flows comprise cash in hand and cash at banks.

**4.22 Off setting of financial instruments**

Financial assets and liabilities are off-set and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**4.23 Operating segment**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**4.24 Earnings per share ('EPS')**

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in consolidated statement of profit or loss attributable to ordinary shareholders of the Group that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

**4.25 Dividend distribution**

Dividend is recognized as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in consolidated statement of changes in equity in the period in which such appropriations are approved.

## 5 Issued, subscribed and paid-up capital

| | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|
| | ---- (Number of shares) ---- | | ------- (Rupees) ------- | |
| Ordinary shares of Rs. 10 each fully paid in cash | **1,000,000** | 1,000,000 | **10,000,000** | 10,000,000 |
| Ordinary shares of Rs. 10 each fully paid as right shares | **9,187,200** | 9,187,200 | **91,872,000** | 91,872,000 |
| Ordinary shares of Rs. 10 each issued as fully paid bonus shares | **19,812,800** | 19,812,800 | **198,128,000** | 198,128,000 |
| | **30,000,000** | 30,000,000 | **300,000,000** | 300,000,000 |

**5.1** The Holding Company has not issued any shares during the year, therefore, reconciliation of number of shares outstanding has not been disclosed.

**5.2** As at the consolidated statement of financial position date, ordinary shares held by associated companies, undertakings and related parties are as follows:

| | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|
| | ------(Number of shares)--------- | | ---(Percentage of holding)--- | |
| Fazal Holdings (Private) Limited | **7,346,541** | 7,346,541 | **24.49** | 24.49 |
| Mr. Rehman Naseem | **3,101,320** | 3,101,320 | **10.34** | 10.34 |
| Mr. Fawad Ahmed Mukhtar | **2,415,422** | 2,415,422 | **8.05** | 8.05 |
| Mr. Fazal Ahmed Sheikh | **2,041,611** | 2,041,611 | **6.80** | 6.80 |
| Mr. Faisal Ahmed Mukhtar | **2,039,865** | 2,039,865 | **6.80** | 6.80 |
| Mr. Abdullah Amir Fazal | **1,421,639** | 1,421,639 | **4.74** | 4.74 |
| Mr. Muhammad Yousaf Amir | **1,421,638** | 1,421,638 | **4.74** | 4.74 |
| Mr. Asad Muhammad Sheikh S/O Fazal Ahmed Sheikh | **1,012,970** | 1,012,970 | **3.38** | 3.38 |
| Mr. Muhammad Mukhtar Sheikh S/O Fazal Ahmed Sheikh | **1,012,969** | 1,012,969 | **3.38** | 3.38 |
| Mr. Muhammad Fazeel Mukhtar S/O Faisal Ahmed Muhktar | **675,895** | 675,895 | **2.25** | 2.25 |
| Mr. Ibrahim Mukhtar S/O Faisal Ahmed Muhktar | **675,895** | 675,895 | **2.25** | 2.25 |
| Mr. Mohid Muhammad Ahmed S/O Faisal Ahmed Mukhtar | **675,895** | 675,895 | **2.25** | 2.25 |
| Mr. Fahad Mukhtar | **579,715** | 579,715 | **1.93** | 1.93 |
| Mr. Ali Mukhtar S/O Fawad Ahmed Mukhtar | **536,207** | 536,207 | **1.79** | 1.79 |
| Mr. Abbas Mukhtar S/O Fawad Ahmed Mukhtar | **536,206** | 536,206 | **1.79** | 1.79 |
| Mr. Amir Naseem Sheikh | **82,828** | 82,828 | **0.28** | 0.28 |
| Mr. Sheikh Naseem Ahmad | **8,820** | 8,820 | **0.03** | 0.03 |
| Mrs. Mahnaz Amir Sheikh | **4,447** | 4,447 | **0.01** | 0.01 |
| Reliance Commodities (Private) Limited | **-** | 500 | **-** | 0.00 |
| Fatima Holding Limited | **-** | 1,176,847 | **-** | 3.92 |

## 6 Other capital reserves

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| ***Share premium*** | | | |
| Issue of 3,168,000 ordinary shares of Rs. 10 each at premium of Rs. 20 per share issued during the year 2001 | | **63,360,000** | 63,360,000 |
| Issue of 2,851,200 ordinary shares of Rs. 10 each at premium of Rs. 5 per share issued during the year 2002 | | **14,256,000** | 14,256,000 |
| | *6.1* | **77,616,000** | 77,616,000 |
| Capital redemption reserve | *6.2* | **175,000,000** | 175,000,000 |
| Fair value reserve | *6.3* | **1,272,824,947** | 1,354,087,247 |
| | | **1,525,440,947** | 1,606,703,247 |

**6.1** This reserve can be utilized by the Holding Company only for the purposes specified in section 81(2) of the Companies Act, 2017.

**6.2** This represents capital redemption reserve created for the purpose of redemption of preference shares, and is not available for distribution to the shareholders.

**6.3** This represents fair value adjustment on investments classified as 'available for sale' financial assets to market value, and is not available for distribution to the shareholders.

## 7 Revaluation surplus on property, plant and equipment

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| ***Gross surplus*** | | |
| Balance at 01 July | **7,584,838,234** | 7,903,958,639 |
| Revaluation surplus arised during the year on property, plant and equipment - net of deferred tax | **3,798,265,276** | - |
| Related deferred tax liability | **352,893,274** | - |
| | **4,151,158,550** | - |
| Effect of disposal of operating fixed assets during the year - net of deferred tax | **(17,332,338)** | (610,508) |
| Related deferred tax liability | **(4,336,118)** | (132,305) |
| | **(21,668,456)** | (742,813) |
| Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax | **(271,866,614)** | (213,108,348) |
| Related deferred tax liability | **(68,014,237)** | (105,269,244) |
| | **(339,880,851)** | (318,377,592) |
| Balance at 30 June | **11,374,447,477** | 7,584,838,234 |

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| ***Deferred tax liability on revaluation surplus*** | | |
| Balance at 01 July | **1,077,365,571** | 1,182,767,120 |
| Related deferred tax liability: | | |
| - Revaluation surplus arised during the year on property, plant and equipment - net of deferred tax | **352,893,274** | - |
| - Effect of disposal of operating fixed assets during the year - net of deferred tax | **(4,336,118)** | (132,305) |
| - Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax | **(68,014,237)** | (105,269,244) |
| | **280,542,919** | (105,401,549) |
| Effect of change in tax and proration rate | **(123,060,561)** | - |
| Balance at 30 June | **1,234,847,929** | 1,077,365,571 |
| Revaluation surplus on property, plant and equipment - net of tax | **10,139,599,548** | 6,507,472,663 |

**7.1** Property, plant and equipment of the Group except office equipment, furniture and fittings and vehicles have been revalued on 28 February 2018 by Joseph Lobo (Private) Limited, an independent valuer not connected with the Group and approved by Pakistan Banks' Association 'any amount' category, resulting in recognition of additional surplus of Rs. 4,151.16 million. Previously, the revaluation of Holding Company was carried out on 30 June 2007, 31 March 2012 and 31 March 2015 by independent valuers resulting in additional surplus of Rs. 2,915 million, Rs. 2,028 million and Rs. 4,116 million, respectively. Similarly, the previous revaluation of Subsidiary Company was carried out by Harvest Services (Private) Limited, an independent valuer not connected with the Subsidiary Company and approved by the Pakistan Banks' Association in 'any amount' category, on 30 September 2014 resulting in surplus of Rs. 281.68 million.

***Freehold land***

Fair market value of freehold land is assessed through examining plot profile and purchase terms, independent inquiries from local active realtors, current and past occupants of land, neighboring areas, current asking prices for industrial used land in the vicinity, access roads and independent inquiries from other real estate sources to ascertain the selling prices for the properties of the same nature.

***Factory and non-factory building***

Construction specifications were noted for each building and structure and new construction rates are applied according to construction specifications for current replacement values. After determining current replacement values, residual factors are applied based on estimate of balance useful life to determine the current assessed market value.

***Plant and machinery and others fixed assets***

Plant and machinery and other fixed assets have been evaluated / assessed by inspecting items of plant and machinery and fixed assets. Fixed Asset Register ('FAR') as at 28 February 2018 was examined and compared the asset inspected against the FAR. Furthermore, the valuer also consulted industry related dealers, indentors and/ or manufactures in order to ascertain the current replacement values of imported and locally fabricated items. The value assigned reflects the present condition of items while considering age, condition and/ or obsolescence of the items.

## 8 Long term financing - *secured*

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Long term financing: | | | |
| - banking companies | *8.1* | **8,731,905,179** | 8,192,189,266 |
| - other financial institutions | *8.2* | **1,287,497,048** | 895,828,382 |
| | | **10,019,402,227** | 9,088,017,648 |
| Current portion of long term financing | *11* | **(1,879,934,008)** | (1,648,356,894) |
| | | **8,139,468,219** | 7,439,660,754 |

### 8.1 Banking companies:

| Lender | 2018 | 2,017 | Rate Of mark up per annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | Rupees | Rupees | | | |
| **Askari Bank Limited** | | | | | |
| - Term finance - TF | **400,000,000** | 400,000,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in twelve equal half yearly instalments of Rs. 33.33 million each, beginning on 21 August 2018. Sanctioned limit is Rs. 400.00 million. | 1st joint pari passu charge / mortgage of Rs.576.50 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company. |
| - Term finance | **13,071,309** | 14,259,610 | 6 Months KIBOR + 1.00% | Balance principal is payable in eleven equal half yearly instalments of Rs. 1.19 million each, under term finance loan, ending on 09 November 2023. Sanctioned limit is Rs.13.07 million. | 1st joint pari passu charge/mortgage of Rs. 333.33 million on all present and future fixed assets of the Subsidiary Company and personal guarantees of the sponsoring directors. |
| - Term finance under LTFF Scheme | **185,740,390** | 185,740,390 | SBP Rate + 1.00% (fixed rate) | Balance principal is payable in twelve equal half yearly instalments of Rs. 15.48 million each, beginning on 13 July 2018. Sanctioned limit is Rs.185.74 million. | |
| | **598,811,699** | 600,000,000 | | | |
| **Soneri Bank Limited** | | | | | |
| - Term finance - TF | **-** | 5,555,554 | 3 Months KIBOR + 1.00% | This facility has been fully repaid during the year with last instalment of principal amount paid on 19 October 2017. | 1st joint pari passu charge / mortgage of Rs.1,182.00 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company. |
| - Term finance - TF | **44,945,284** | 74,927,045 | 3 Months KIBOR + 1.00% | Balance principal is payable in three equal half yearly instalments of Rs. 15.00 million each, ending on 11 December 2019. Sanctioned limit is Rs. 44.95 million | |
| - Term finance - TF | **105,000,000** | 175,000,000 | 3 Months KIBOR + 1.00% | Balance principal is payable in three equal half yearly instalments of Rs. 35.00 million each, ending on 27 August 2019. Sanctioned limit is Rs. 105.00 million. | |
| - Term finance - TF | **200,000,000** | 280,000,000 | 3 Months KIBOR + 1.00% | Balance principal is payable in ten equal quarterly instalments of Rs. 20.00 million each, ending on 13 October 2020. Sanctioned limit is Rs. 200.00 million. | |
| - Term finance - TF | **32,473,454** | - | 3 Months KIBOR + 1.10% | Balance principal is payable in thirty two equal quarterly instalments of Rs. 1.01 million each, beginning on 20 September 2020. Sanctioned limit is Rs. 500.00 million. | |
| | **382,418,738** | 535,482,599 | | | |

| Lender | 2018 | 2017 | Rate Of mark up per Annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | ---------------Rupees--------------- | | | | |
| **Faysal Bank Limited** | | | | | |
| - Term finance - TF | **20,000,000** | 60,000,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in one instalment of Rs. 20.00 million, ending on 20 July 2018. Sanctioned limit is Rs. 20.00 million. | 1st joint pari passu charge / mortgage of Rs. 854.00 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company. |
| - Term finance - TF | **23,758,651** | 71,273,952 | 6 Months KIBOR + 1.00% | Balance principal is payable in one instalment of Rs 23.76 million, ending on 04 October 2018. Sanctioned limit is Rs.23.76 million. | |
| - Term finance - TF | **14,802,784** | 37,285,492 | 6 Months KIBOR + 1.00% | Balance principal is payable in one instalment of Rs. 14.80 million, ending on 02 January 2019. Sanctioned limit is Rs. 14.80 million. | |
| - Term finance - TF | **60,000,000** | 100,000,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in three equal half yearly instalments of Rs. 20.00 million each, ending on 07 December 2019. Sanctioned limit is Rs. 60.00 million. | |
| | **118,561,435** | 268,559,444 | | | |
| **Habib Bank Limited** | | | | | |
| - Demand finance | **-** | 72,636,626 | 6 Months KIBOR + 0.50% | During the year this demand finance was transferred to SBP's LTFF Scheme. | 1st joint pari passu charge / mortgage of Rs. 639.00 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company. |
| - Demand finance under LTFF Scheme | **428,426,984** | 131,220,785 | SBP rate + 0.50% (fixed rate) | Balance principal is payable in sixteen equal half yearly instalments of Rs. 26.78 million each, beginning on 29 September 2019. Sanctioned limit is Rs.428.43 million | |
| | **428,426,984** | 203,857,411 | | | |
| **National Bank of Pakistan** | | | | | |
| - Demand finance - VI | **-** | 28,866,880 | 6 Months KIBOR + 2.00% | This facility has been fully repaid during the year with last instalment of principal amount paid on 23 May 2018. | 1st joint pari passu charge / mortgage of Rs.1,637.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company. |
| - Demand finance - VII | **202,048,157** | 259,776,201 | 6 Months KIBOR + 1.25% | Balance principal is payable in fourteen equal quarterly instalments of Rs. 14.43 million each, ending on 03 December 2021. Sanctioned limit is Rs. 202.05 million. | |
| - Demand finance - VII under LTFF Scheme | **101,427,290** | 130,406,514 | SBP rate + 1.25% (fixed rate) | Balance principal is payable in fourteen equal quarterly instalments of Rs. 7.24 million each, ending on 03 December 2021. Sanctioned limit is Rs.101.43 million. | |
| | **303,475,447** | 419,049,595 | | | |

| Lender | 2018 | 2017 | Rate Of mark up per Annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | ----------Rupees---------- | | | | |
| **United Bank Limited** | | | | | |
| - Demand finance | **60,000,000** | 100,000,000 | 3 Months KIBOR + 1.00% | Balance principal is payable in three equal half yearly instalments of Rs. 20.00 million each, ending on 03 September 2019. Sanctioned limit is Rs. 60.00 million. | 1st joint pari passu charge / mortgage of Rs. 1,914.00 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company. |
| - Demand finance - II under LTFF Scheme | **923,503,367** | 796,927,367 | SBP rate + 0.50% (fixed rate) | Balance principal is payable in sixteen equal half yearly instalments of Rs. 57.72 million each, beginning on 31 December 2018. Sanctioned limit is Rs. 923.50 million. | |
| - Demand finance - III | **300,000,000** | 300,000,000 | 6 Months KIBOR + 1.10% | Balance principal is payable in eight equal half yearly instalments of Rs. 37.50 million each, beginning on 30 May 2019. Sanctioned limit is Rs.300.00 million. | |
| - Term finance | **3,634,404** | 4,543,004 | 6 Months KIBOR + 1.00% | Balance principal is payable in eight equal half yearly instalments of Rs. 0.45 million each, ending on 04 June 2022. Sanctioned limit is 3.63 million. | 1st joint pari passu charge of Rs.266.67 million over the fixed assets of the Subsidiary Company, personal guarantees of the key directors and corporate guarantee of the Holding Company. |
| - Term finance under LTFF scheme | **139,349,682** | 170,316,274 | SBP rate + 1.00% (fixed rate) | Balance principal is payable in nine equal half yearly instalments of Rs. 15.48 million each, ending on 04 June 2022. Sanctioned limit is 139.35 million. | |
| | **1,426,487,453** | 1,371,786,645 | | | |
| **MCB Bank Limited** | | | | | |
| - Term finance | **400,000,000** | 560,000,000 | 3 Months KIBOR + 0.60% | Balance principal is payable in five equal half yearly instalments of Rs. 80.00 million each, ending on 31 October 2020. Sanctioned limit is Rs. 400.00 million. | 1st joint pari passu charge / mortgage of Rs. 920.00 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company. |
| - Demand finance | **46,587,716** | 166,654,900 | 6 Months KIBOR + 0.70% | Last instalment of Rs. 46.59 million is falling due on 28 November 2018. Sanctioned limit is Rs. 46.59 million. | |
| - Demand finance | **366,666,000** | 412,499,250 | 6 Months KIBOR + 1.25% | Balance principal is payable in eight equal half yearly instalments of Rs. 45.83 million each, under demand finance, ending on 29 December 2021 Sanctioned limit is Rs. 366.66 million. | 1st joint pari passu charge/ mortgage of Rs. 800.00 million over all present and future fixed assets of the Subsidiary Company, personal guarantees of sponsoring directors and corporate guarantee of the Holding Company. |
| | **813,253,716** | 1,139,154,150 | | | |

| Lender | 2018 | 2017 | Rate Of mark up per Annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | ---------------Rupees--------------- | | | | |
| **Allied Bank Limited** | | | | | |
| - Term loan - II | - | 15,883,311 | 6 Months KIBOR + 0.90% | This facility has been fully repaid during the year with last instalment of principal amount paid on 13 December 2017. | 1st joint pari passu charge / mortgage of Rs. 2,902.00 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company. |
| - Term loan - III | - | 24,874,233 | 6 Months KIBOR + 0.90% | This facility has been fully repaid during the year with last instalment of principal amount paid on 24 November 2017. | |
| - Term loan - IV | **62,175,975** | 186,527,935 | 6 Months KIBOR + 0.90% | Last instalment of Rs. 62.18 million is falling due on 08 December 2018. Sanctioned limit is Rs. 62.18 million. | |
| - Term loan - V | **109,215,594** | 145,620,791 | 6 Months KIBOR + 0.90% | Balance principal is payable in six equal half yearly instalments of Rs. 18.20 million each, ended on 25 February 2021. Sanctioned limit is Rs.109.22 million. | |
| - Term loan - VI | **291,666,665** | 374,999,999 | 6 Months KIBOR + 0.90% | Balance principal is payable in seven equal half yearly instalments of Rs. 41.67 million each, ended on 06 August 2021. Sanctioned limit is Rs. 291.67 million. | |
| - Term loan - VII | **442,627,983** | 442,627,983 | 6 Months KIBOR + 0.65% | Balance principal is payable in sixteen equal half yearly instalments of Rs. 27.67 million each, beginning on 02 September 2019. Sanctioned limit is Rs. 797.67 million. | |
| - Term loan - VI under LTFF Scheme | **355,040,698** | - | SBP Rate+0.50% (fixed rate) | Sixteen equal half yearly instalments of Rs. 22.19 million each, beginning on 02 March 2020. | |
| - Term loan - VIII | **16,269,083** | - | 6 Months KIBOR + 0.50% | Sixteen equal half yearly instalments of Rs. 1.02 million each, beginning on 04 January 2021. Sanctioned limit is Rs. 700 million. | |
| - Term finance - I | **408,333,335** | 525,000,001 | 6 Months KIBOR + 1.05% | Balance principal is payable in seven equal half yearly instalments of Rs. 58.33 million each, ending on 08 October 2021. Sanctioned limit is Rs. 408.33 million. | 1st joint pari passu charge / mortgage of Rs. 1,333.34 million over all present and future fixed assets of the Subsidiary Company, personal guarantees of sponsoring directors and corporate guarantee of the Holding Company. |
| - Term finance - I I | **150,000,000** | 150,000,000 | 6 Months KIBOR + 1.25% | Balance principal is payable in twelve equal half yearly instalments of Rs. 12.50 million each, beginning on 11 August 2018. Sanction limit is Rs. 300 million. | |
| - Term finance - II under LTFF Scheme | **150,000,000** | 150,000,000 | SBP Rate + 1.25% (fixed rate) | | |
| - Term finance - III | **21,351,380** | - | 6 Months KIBOR + 1.00% | Balance principal is payable in sixteen equal half yearly installments of principal amounting to Rs. 1.33 million each, under term finance loan - III and Rs. 1.79 million each, under term finance loan - III under LTFF scheme, beginning on 11 June 2020. Sanctioned limit is Rs.50 million. | |
| - Term finance - III under LTFF Scheme | **28,648,620** | - | SBP Rate + 1.00% (fixed rate) | | |
| | **2,035,329,333** | 2,015,534,253 | | | |

| Lender | 2018 | 2017 | Rate Of mark up per Annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | ---------------Rupees--------------- | | | | |
| **The Bank of Khyber** | | | | | |
| - Term finance | **174,334,076** | 244,067,708 | 6 Months KIBOR + 0.75% | Balance principal is payable in five equal half yearly instalments of Rs. 34.87 million each, ending on 25 July 2020. Sanctioned limit is Rs. 174.33 million. | 1st joint pari passu charge / mortgage of Rs. 951.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors. |
| - Demand Finance II | **187,500,000** | 262,500,000 | 6 Months KIBOR + 0.75% | Balance principal is payable in five equal half yearly instalments of Rs. 37.50 million, ending on 13 October 2020. Sanctioned limit Rs. is 187.50 million. | |
| | **361,834,076** | 506,567,708 | | | |
| **The Bank of Punjab** | | | | | |
| - Term finance | **145,601,241** | 187,201,595 | 6 Months KIBOR + 0.85% | Balance principal is payable in seven equal half yearly instalments of Rs. 20.80 million each, ending on 30 September 2021. Sanctioned limit is Rs. 145.60 million. | 1st joint pari passu charge/mortgage of Rs.2,358.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors. |
| - Term finance | **-** | 14,790,818 | 6 Months KIBOR + 0.75% | During the year this demand finance was transferred to SBP's LTFF Scheme. | |
| - Term finance under LTFF Scheme | **500,000,000** | 480,205,048 | SBP rate + 0.50% | Balance principal is payable in sixteen equal half yearly instalments of Rs. 31.25 million, beginning on 17 July 2019 Sanctioned limit is Rs. 500.00 million | |
| - Term finance | **600,000,000** | - | 6 Months KIBOR + 0.75% | Balance principal is payable in twelve equal half yearly instalments of Rs. 50.00 million each, beginning on 25 April 2020. Sanctioned limit is Rs. 600.00 million | |
| - Term finance | **238,631,609** | - | 6 Months KIBOR + 0.75% | Balance principal is payable in sixteen equal half yearly instalments of Rs. 14.91 million each, beginning on 15 June 2020. Sanctioned limit is Rs. 500.00 million. | |
| - Term finance under LTFF Scheme | **85,323,448** | - | SBP rate + 0.75% (fixed rate) | Balance principal is payable sixteen equal half yearly instalments of Rs. 5.33 million each, beginning on 15 June 2020. | |
| | **1,569,556,298** | 682,197,461 | | | |
| **Standard Chartered Bank (Pakistan) Ltd** | | | | | |
| - Term finance | **393,750,000** | 450,000,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in seven equal half yearly instalments of Rs. 56.25 million each, ending on 04 October 2021. Sanctioned limit is Rs. 393.75 million. | 1st joint pari passu charge / mortgage of Rs. 1,152.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors. |
| **JS Bank Limited** | | | | | |
| - Term finance | **300,000,000** | - | 6 Months KIBOR + 1.00% | Balance principal is payable in eight equal half yearly instalments of Rs. 37.50 million each, beginning on 24 July 2019. Sanctioned limit is Rs.300.00 million. | 1st joint pari passu charge / mortgage of Rs. 400.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors. |
| | **8,731,905,179** | 8,192,189,266 | | | |

**8.2 Other financial institutions:**

| Lender | 2018 | 2017 | Rate of mark up per annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | -------------- Rupees | -------------- | | | |
| **Pak Brunei Investment Company Limited** | | | | | |
| - Term finance | **49,997,048** | 83,328,382 | 3 Months KIBOR + 0.80% | Balance principal is payable in three equal half yearly instalments of Rs. 16.67 million each, ending on 02 November 2019. Sanctioned limit is Rs.49.98 million. | 1st joint pari passu charge / mortgage of Rs.735.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors. |
| - Term finance | **-** | 25,000,000 | 3 Months KIBOR + 0.80% | This facility has been fully repaid during the year with last instalment of principal amount paid on 18 September 2017. | |
| - Term finance | **250,000,000** | 250,000,000 | 3 Months KIBOR + 0.90% | Balance principal is payable in eight equal half yearly instalments of Rs. 31.25 million each, beginning on 23 July 2018. Sanctioned limit is Rs. 250.00 million. | |
| | **299,997,048** | 358,328,382 | | | |
| **Pak Oman Investment Company Limited** | | | | | |
| - Term finance | **137,500,000** | 187,500,000 | 6 Months KIBOR + 0.90% | Balance principal is payable in eleven equal quarterly instalments of Rs. 12.50 million each, ending on 25 March 2021. Sanctioned limit is Rs.137.50 million. | 1st joint pari passu charge / mortgage of Rs.1,335.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors. |
| - Term finance | **350,000,000** | 350,000,000 | 3 Months KIBOR + 0.90% | Balance principal is payable in twenty equal quarterly instalments of Rs. 17.50 million each, beginning on 23 December 2018. Sanctioned limit is Rs. 350.00 million. | |
| - Term finance | **500,000,000** | - | 6 Months KIBOR + 0.90% | Balance principal is payable in twenty equal quarterly instalments of Rs. 25.00 million each, beginning on 24 April 2020. Sanctioned limit is Rs. 500.00 million. | |
| | **987,500,000** | 537,500,000 | | | |
| | **1,287,497,048** | 895,828,382 | | | |

**8.3** The Group has un-availed long term facilities amounting to Rs. 240.63 million (2017: Rs. 49.98 million).

**8.4** As per the financing document, the Group is required to comply with certain financial covenants which mainly include current ratio, minimum debt service coverage ratio, minimum interest coverage ratio, gearing ratio and maximum leverage ratio. Further, the Group is required to comply with certain conditions imposed by the providers of finance to make dividend payment.

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| **9 Long term musharika - *secured*** | | | |
| ***Islamic mode of financing*** | | | |
| Long term musharika - banking companies | 9.1 | **1,389,679,269** | 1,235,301,919 |
| Current portion of long term musharika | 11 | **(320,622,650)** | (345,622,650) |
| | | **1,069,056,619** | 889,679,269 |

**9.1 Banking companies:**

| Lender | 2018 | 2017 | Rate Of mark up per Annum | Tenure, basis of principal repayment and sanctioned limit | Security |
|---|---|---|---|---|---|
| | ----Rupees---- | | | | |
| **Meezan Bank Limited** | | | | | |
| - Diminishing musharika - II | **-** | 25,000,000 | 6 Months KIBOR + 0.90% | This facility has been fully repaid during the year with last instalment of principal amount paid on 24 November 2017. | This diminishing musharika was secured against exclusive charge of Rs.334.00 million over machinery imported through Meezan Bank Limited and personal guarantees of the sponsoring directors of the Holding Company. |
| - Diminishing musharika - III | **60,000,000** | 90,000,000 | 6 Months KIBOR + 0.90% | Balance principal is payable in four equal half yearly instalments of Rs. 15.00 million each, ending on 30 January 2020. Sanctioned limit is Rs.60.00 million | Exclusive charge of Rs.200.00 million over machinery imported through Meezan Bank Limited and personal guarantees of the sponsoring directors of the Holding Company. |
| - Diminishing Musharika | **10,929,269** | 14,051,919 | 6 Months KIBOR + 1.00% | Balance principal is payable in seven equal half yearly instalments of Rs. 1.56 million each, ending on 30 October 2021. Sanctioned limit is Rs.10.93 million. | 1st joint pari passu charge / mortgage of Rs. 93.33 million on all present and future fixed assets of the Subsidiary Company, personal guarantees of sponsoring directors and corporate guarantee of the Holding Company. |
| | **70,929,269** | 129,051,919 | | | |
| **Dubai Islamic Bank Pakistan Limited** | | | | | |
| - Diminishing musharika | **350,000,000** | 450,000,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in seven equal half yearly instalments of Rs. 50.00 million each, ending on 08 October 2021. Sanctioned limit is Rs.350.00 million | 1st joint pari passu charge/mortgage of Rs.602.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors. |
| **Standard Chartered Bank (Pakistan) Limited** | | | | | |
| - Diminishing musharika | **468,750,000** | 656,250,000 | 6 Months KIBOR + 1.00% | Balance principal is payable in five equal half yearly instalments of Rs. 93.75 million each, ending on 26 August 2020. Sanctioned limit is Rs. 468.75 million | 1st joint pari passu charge/mortgage of Rs.1,152.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors. |
| **Faysal Bank Limited** | | | | | |
| - Diminishing musharika | **500,000,000** | - | 3 Months KIBOR + 0.75% | Balance principal is payable in six equal half yearly instalments of Rs. 83.33 million each, beginning on 06 June 2020. Sanctioned limit is Rs.500.00 million | 1st joint pari passu charge / mortgage of Rs. 854.00 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company. |
| | **1,389,679,269** | 1,235,301,919 | | | |

| 10 | **Deferred liabilities** | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|---|
| | Staff retirement benefit - Gratuity | *10.1* | **268,709,476** | 214,614,337 |
| | Deferred taxation | *10.2* | **2,201,316,664** | 2,056,716,653 |
| | | | **2,470,026,140** | 2,271,330,990 |

**10.1 Staff retirement benefit - Gratuity**

The latest actuarial valuation of the Group's defined benefit plan, was conducted at 30 June 2018 using 'Projected Unit Credit' method. Detail of obligation for defined benefit plan is as follows:

| **10.1.1 The amounts recognized in the 'Consolidated statement of financial position' is as follows:** | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| Present value of defined benefit obligation liability at 30 June | *10.1.2* | **268,709,476** | 214,614,337 |

**10.1.2 Movement in the liability for defined benefit obligation recognized in the ' Consolidated statement of financial position' is as follows:**

| | | | |
|---|---|---|---|
| Liability for defined benefit obligation at 01 July | | **214,614,337** | 218,740,982 |
| Current service cost | *10.1.3* | **115,515,502** | 82,648,912 |
| Interest cost on defined benefit obligation | *10.1.3* | **13,238,199** | 12,039,499 |
| Actuarial loss charged to 'Other Comprehensive Income' | *10.1.5* | **12,939,178** | 6,542,814 |
| Benefits paid during the year | | **(87,597,740)** | (105,357,870) |
| Liability for defined benefit obligation at 30 June | | **268,709,476** | 214,614,337 |

**10.1.3 The amounts recognized in the 'Consolidated statement of profit or loss' against defined benefit plan are as follows:**

| | | |
|---|---|---|
| Current service cost | **115,515,502** | 82,648,912 |
| Interest cost | **13,238,199** | 12,039,499 |
| | **128,753,701** | 94,688,411 |

**10.1.4 Charge to 'Consolidated statement of profit or loss' against defined benefit plan has been alloacated as under**

| | | |
|---|---|---|
| Cost of sales | **113,608,549** | 83,035,831 |
| Selling and distribution expense | **858,000** | 660,000 |
| Administrative expense | **14,287,152** | 10,992,580 |
| | **128,753,701** | 94,688,411 |

**10.1.5 Remeasurement loss recognized in the 'Other comprehensive income' against defined benefit plan are as follows:**

*Remeasurement loss defined benefit obligation due to:*

| | | |
|---|---|---|
| - changes in financial assumptions | **1,232,073** | 4,639,949 |
| - change in experience adjustment | **11,707,105** | 1,902,865 |
| | **12,939,178** | 6,542,814 |

**10.1.6 Actuarial assumptions used for valuation of liability at 30 June against defined benefit obligation are as under :**

The following are the principal actuarial assumptions at consolidated statement of financial position date:

| | **2018** | 2017 |
|---|---|---|
| Discount rate used for interest cost | **7.75% per anum** | 7.25% per anum |
| Discount rate used for year end obligation | **9.00% per anum** | 7.25% per anum |
| Expected rate of growth per annum in future salaries | **8.00% per anum** | 6.75% per anum |
| Mortality rates | **SLIC (2001 - 05) Setback 1 Year** | SLIC (2001 - 05) Setback 1 Year |
| Retirement assumption | **Age 60** | Age 60 |

**10.1.7** Weighted average duration of defined benefit obligation is between four to six years, whereas, maturity profile of the defined benefit obligation with regards to time distribution of benefit payments for first year, second year, third year, fourth year, fifth year, sixth year and more than sixth year are Rs 72.83 million, Rs 68.32 million, Rs 65.03 million, Rs 59.46 million, Rs 55.85 million, Rs 57.80 million and Rs 3303.51 million, respectively.

**10.1.8 Sensitivity analysis of defined benefit obligation to changes in the actuarial assumptions**

Reasonably possible changes at the consolidated statement of financial position date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | **2018** | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Impact on defined benefit obligation** | | | Impact on defined benefit obligation | | |
| | **Change in assumption** | **Increase in assumption** | **Decrease in assumption** | Change in assumption | Increase in assumption | Decrease in assumption |
| | **Percentage** | **---------- Rupees ----------** | | Percentage | ---------- Rupees ---------- | |
| Discount rate | **1.00%** | **252,853,747** | **287,033,843** | 1.00% | 201,724,424 | 229,542,466 |
| Salary growth rate | **1.00%** | **287,888,534** | **251,761,635** | 1.00% | 230,240,715 | 200,847,985 |

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized in the consolidated statement of financial position.

**10.1.9** The Group expects to charge Rs. 121.91 million against current service cost and Rs. 21.01 million against net interest cost, aggregating to Rs. 142.92 million, to 'Consolidated statement of profit or loss' in respect of defined benefit plan in 2019.

**10.1.10** The Group exposure to the actuarial risks are as follows:

**a) Salary risks**

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

**b) Demographic risks**

***Mortality Risk***

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

***Withdrawal Risk***

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

**10.1.11** Gratuity scheme entitles members of staff retirement benefit plan on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based, on the Group's service rules, for staff gratuity. Gratuity is based on the last month basic salary for each year of service.

**10.2 Deferred taxation**

| | 2018 | | | | |
|---|---|---|---|---|---|
| | | | (Reversal from)/ charge to | | |
| | Balance at 01 July | Effect of change in tax rate and proration rate | 'Consolidated statement of profit or loss' | 'Consolidated other comprehensive income' | Balanace at 30 June |
| | Rupees | | | | |
| ***Taxable temporary differences arising in respect of :*** | | | | | |
| Revaluation surplus on property, plant and equipment | 1,077,365,571 | (123,060,561) | (72,350,355) | 352,893,274 | 1,234,847,929 |
| Tax depreciation allowance | 1,322,743,315 | (209,113,233) | 89,120,146 | - | 1,202,750,228 |
| | 2,400,108,886 | (332,173,794) | 16,769,791 | 352,893,274 | 2,437,598,157 |
| Deductible temporary difference arising in respect of : | | | | | |
| Provision for gratuity | (38,235,346) | - | 38,235,346 | - | - |
| Minimum tax carried forward | (304,470,197) | - | 71,327,071 | - | (233,143,126) |
| Provisions and others | (686,690) | 3,979 | (2,455,656) | - | (3,138,367) |
| | (343,392,233) | 3,979 | 107,106,761 | - | (236,281,493) |
| Deferred tax liability - *net* | 2,056,716,653 | (332,169,815) | 123,876,552 | 352,893,274 | 2,201,316,664 |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Balance at 01 July | Effect of change in tax and proration rate | (Reversal from) / charge to | | Balanace at 30 June |
| | | | 'Consolidated statement of profit or loss' | 'Consolidated other comprehensive income' | |
| | ---------- Rupees ---------- | | | | |
| *Taxable temporary differences arising in respect of :* | | | | | |
| Revaluation surplus on property, plant and equipment | 1,182,767,120 | - | (105,401,549) | - | 1,077,365,571 |
| Tax depreciation allowance | 1,253,101,088 | - | 69,642,227 | - | 1,322,743,315 |
| | 2,435,868,208 | - | (35,759,322) | - | 2,400,108,886 |
| *Deductible temporary difference in respect of :* | | | | | |
| - | | | | | |
| Provision for gratuity | (41,317,132) | - | 4,247,149 | (1,165,363) | (38,235,346) |
| Minimum tax carried forward | (304,470,197) | - | - | - | (304,470,197) |
| Tax credit on investments | (145,911,952) | - | 145,911,952 | - | - |
| Provisions | (812,909) | - | 126,219 | - | (686,690) |
| | (492,512,190) | - | 150,285,320 | (1,165,363) | (343,392,233) |
| Deferred tax liability - *net* | 1,943,356,018 | - | 114,525,998 | (1,165,363) | 2,056,716,653 |

The Group has opted for Group taxation from tax year 2014. Minimum tax available for carry forward under section 113 of the Income Tax Ordinance, 2001 amounting to Rs. 619.72 million (2017: Rs 604.25 million) is available to the Group. However, out of this, deferred tax has only been recognized on Rs. 233.14 million (2017: Rs 304.47 million) as sufficient tax profits may not be available to set these off in foreseeable future on the remaining amount. The recoginition of deferred tax asset shall be re-assesed on 30 June 2019.

| 11 | **Current portion of non-current liabilities** | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|---|
| | *Markup bearing finances from conventional banks:* | | | |
| | Long term financing - *secured* | *8* | **1,879,934,008** | 1,648,356,894 |
| | *Islamic mode of financing :* | | | |
| | Long term musharika - *secured* | *9* | **320,622,650** | 345,622,650 |
| | | | **2,200,556,658** | 1,993,979,544 |

## 12 Trade and other payables

| | | | |
|---|---|---|---|
| Trade creditors | | **293,169,108** | 356,035,404 |
| Accrued liabilities | | **1,454,931,029** | 1,272,695,231 |
| Advance from customers | | **49,542,241** | 50,681,144 |
| Due to associated undertakings | *12.1* | **91,042,619** | 12,485,573 |
| Bills payable | | **510,704,292** | - |
| Tax deducted at source | | **8,841,049** | 7,194,995 |
| Infrastructure cess | *12.2* | **350,070,176** | 282,816,263 |
| Workers' profit participation fund | *12.3* | **85,835,266** | 32,196,742 |
| Workers' welfare fund | *12.4* | **14,449,516** | - |
| Loan from Director | *12.5* | **299,693** | 299,693 |
| Payable to employees | | **452,722** | - |
| | | **2,859,337,711** | 2,014,405,045 |

### 12.1 Due to associated undertakings

| | | |
|---|---|---|
| Ahmed Fine Textile Mills Limited | **67,438,934** | - |
| Hussain Ginneries Limited | **12,313,865** | 11,350,171 |
| Fatima Energy Limited | **6,537,521** | - |
| Fatima Fertilizer Company Limited | **4,706,963** | 1,090,066 |
| Fatima Sugar Mills Limited | **4,835** | 4,835 |
| Pakarab Fertilizer Limited | **40,501** | 40,501 |
| | **91,042,619** | 12,485,573 |

**12.2** This represent provision against 'Sindh Infrastructure Cess', levied under section 9 of 'Sindh Finance Act, 1994' at the rate specified of total value of goods as assessed by the 'Custom Authorities' while considering net weight and distance for carriage of goods through the province of 'Sindh'. The Group has filed an appeal in the 'Honorable Sindh High Court' against levy, which is pending fixation. The Group, however, keeping in view of any unfavorable outcome of the appeal, has provided the balance payable amount in these consolidated financial statement.

| 12.3 Workers' profit participation fund | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| Balance as at 01 July | | **32,196,742** | 25,022,533 |
| Provision for the year | *32* | **85,835,267** | 32,196,742 |
| Interest on funds utilized by the Group | | **1,510,382** | 3,239,218 |
| | | **119,542,391** | 60,458,493 |
| Payment made during the year | | **(33,682,825)** | (28,237,928) |
| Deposited in 'Government Treasury' | | **(24,300)** | (23,823) |
| Balance as at 30 June | | **85,835,266** | 32,196,742 |

| 12.4 | Workers' welfare fund | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| | Balance as at 01 July | | - | 124,867,986 |
| | Allocation for the year | 32 | 14,449,516 | - |
| | Reversal of provision | 12.4.1 & 33 | - | (124,867,986) |
| | Balance as at 30 June | | **14,449,516** | - |

**12.4.1** This represent reversal of provision of Workers' Welfare Fund ('WWF') in pursuance of the judgment of the Honorable Supreme Court of Pakistan, dated 10 November 2016, during last financial year.

**12.5** This represents interest free loan from a director of the Holding Company. The loan is unsecured and repayable on demand.

## 13 Short term borrowings - *secured*

| Banking companies | Nominal interest rate % | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| ***Mark-up based borrowings from conventional banks*** | | | |
| Cash finance | **6.46 - 7.92** | **182,295,868** | 351,359,842 |
| Running finance | **6.46 - 8.36** | **934,217,137** | 393,529,729 |
| Foreign currency export finance | | - | 2,892,015,524 |
| Finance against imported merchandise | **2.55 - 7.28** | **2,557,401,003** | 884,236,592 |
| Money market loan | **6.18 - 7.22** | **6,117,000,191** | 3,509,484,273 |
| ***Islamic mode of financing*** | | | |
| Running musharika | **6.30 - 7.07** | **492,324,327** | 378,281,952 |
| Karobar finance / Import murabaha | **6.25 - 7.07** | **445,318,086** | 531,820,021 |
| | | **10,728,556,612** | 8,940,727,933 |

**13.1** The Group has short term borrowing facilities including funded and non-funded, available from various commercial banks under mark-up / profit arrangements having aggregate sanctioned limits of Rs. 26,168 million (2017: Rs. 25,358 million). These facilities are secured against different securities including pledge of stock -in- trade, hypothecation on stocks, stores and spares, charge on current assets, lien on debtors, lien on imports and exports documents and personal guarantees of the sponsoring directors. The pledge based outstanding borrowings out of the above outstanding borrowings are secured against pledge of stock-in-trade amounting to Rs. 4,650 million. Short term borrowing facilities which remained unutilized at year end are Rs. 13,829 million (2017: Rs. 14,263 million). These facilities are expiring on various dates by 20 June 2019.

## 14 Accrued mark-up

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| *Mark-up based loans from conventional bank:* | | |
| Long term financing - *secured* | **164,689,290** | 148,744,710 |
| Short term borrowings - *secured* | **110,834,939** | 67,131,024 |
| | **275,524,229** | 215,875,734 |
| *Islamic mode of financing:* | | |
| Long term musharika - *secured* | **36,310,224** | 55,198,807 |
| Short term borrowings - *secured* | **11,045,786** | 8,927,861 |
| | **47,356,010** | 64,126,668 |
| | **322,880,239** | 280,002,402 |

## 15 Contingencies and commitments

### 15.1 Contingencies

***<u>The Holding Company</u>***

**15.1.1** The officials of Large Taxpayers Unit, Lahore ('LTU - Lahore') raised income tax demands of Rs 36.38 million and Rs 49.78 million against the Holding Company through separate orders, dated 30 April 2018 and 29 June 2018 respectively, under section 161/205 of the Income Tax Ordinance, 2001 ('Ordinance') on grounds that income tax has not been deducted against certain payments during tax years 2015 and 2016 respectively. The Holding Company has agitated the orders in appeal before Commissioner Inland Revenue Appeals (CIR-A) which is pending adjudication.

**15.1.2** The officials of LTU - Lahore after concluding income tax audit under section 177 of the Ordinance, raised income tax demand of Rs. 7.98 million against the Holding Company through amended order, dated 26 April 2018, under section 122(5) of the Ordinance for tax year 2014. The Holding Company has agitated the order in appeal before CIR - A, which is pending adjudication.

**15.1.3** Consequent to amendment of deemed income tax assessment of tax years 2006 to 2012 vide separate orders, dated 30 April 2010, 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, involving income tax of Rs. 324.8 million (other than disclosed below separately), the Holding Company has been extended significant relief by the CIR - A. The issues in respect of which CIR - A did not allow relief have been taken up in appeals before the Appellate Tribunal Inland Revenue and such appeals is pending adjudication.

**15.1.4** The officials of LTU - Lahore, while giving effect to findings of CIR - A's appellate orders under section 124/129 of the Ordinance in the context of amendments made under section 122(5A) of the Ordinance, have arbitrarily made disallowances/increase in income (i.e. exchange loss, notional profit of associates etc.) for tax years 2010 and 2012 vide separate orders, dated 30 June 2018, involving sum of Rs. 657 million. The issue has been taken up in appeals before CIR - A which are pending adjudication.

**15.1.5** Admissibility of 'payment to preference share-holders' has been disputed in income tax amendment orders, dated 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, for tax years 2007 to 2012 involving a sum of Rs 209 million. The first appellate authority has maintained departmental stance and the Holding Company's appeals are lying with Appellate Tribunal Inland Revenue.

**15.1.6** The officials of LTU - Lahore through separate orders dated 26 November 2015 and 25 February 2016 have disregarded input tax aggregating Rs. 24.4 million. The officials of LTU - Lahore through an order dated July 31, 2017 also raised a sales tax demand of Rs 71 million against the Holding Company. The Holding Company has preferred appeals against such orders before the CIR - A, which are pending adjudication.

***The Subsidiary Company***

**15.1.7** The Commissioner Inland Revenue ('CIR') through order, dated 28 December 2017, rejected admissibility of input tax aggregating to Rs 7.27 million, primarily on account of mismatch of buyer/ seller declarations and building materials, subsequent to audit of tax period July - 2013 to June - 2014. The Subsidiary Company has agitated such order in appeal before the Commissioner Inland Revenue - Appeals ('CIR-A'), which is pending adjudication.

**15.1.8** The Commissioner Inland Revenue (Appeals) through its order dated 14 April 2016 has maintained departmental rejection of input tax of Rs 18.10 million (primarily comprising out of building materials) in terms of provisions contained in SRO 450(I)/2013. The Subsidiary Company has agitated such order in appeal before Appellate Tribunal Inland Revenue which is pending.

**15.1.9** The department officials through order, dated 31 March 2018, initiated proceedings under section 161/205 of the Ordinance against the Subsidiary Company, raising a tax demand of Rs. 8.59 million for not withholding tax on payments of 'profit on debt' to the Holding Company. The Subsidiary Company assailed the order in an appeal before CIR-A and accordingly disposed off by remanding back to the issue to concerned authority. Such remanded back proceedings have, however, not yet be initiated by the authorities and are pending fixation.

Based on the opinion of the Group's legal counsel the management is confident of favourable outcome in all aforesaid matters, hence no provision is being recognized in respect of these in the consolidated financial statements.

**15.2 Commitments**

**15.2.1** Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Group, to various institutions and corporate bodies.

| | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| - The Holding Company | | **700,113,115** | 581,413,715 |
| - The Subsidiary Company | | **87,853,000** | 77,853,000 |

**15.2.2 Commitments against irrevocable letters of credit:**

***The Holding Company***

| | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| *- capital expenditure* | | **1,458,875,182** | 686,911,980 |
| *- raw material and stores and spares* | | **1,010,522,465** | 1,336,804,565 |
| *- others* | *15.2.4* | **600,000,000** | 987,500,000 |
| | | **3,069,397,647** | 3,011,216,545 |

***The Subsidiary Company***

| | | |
|---|---|---|
| *- raw material and stores and spares* | **4,688,045** | 3,651,055 |

**15.2.3** Minimum lease payment in respect of land and ginning unit under operating lease ending on 30 June 2031 and 30 June 2021, respectively, is as under :

| | **2018** | 2017 |
|---|---|---|
| | **Rupees** | Rupees |
| - not later than one year | **7,850,000** | 7,250,000 |
| - 1 to 5 years | **45,573,026** | 40,293,660 |
| - later than 5 years | **134,961,869** | 144,341,230 |

**15.2.4** As at statement of financial position date, 'Stand by Letters of Credit' ('SBLC') amounting to Rs. 600.00 million (2017: 987.50 million) are outstanding which were issued by the Daubai Islamic Bank Pakistan Limited on behalf of the Holding Company favoring the lenders of FEL, an associated Holding Company, confirming that in case of failure of the Holding Company to make payment of the committed amount of equity during the period of six months, the lenders of Fatima Energy Limited - an associated undertaking ('FEL') can draw on the SBLCs to cover the amount not paid by the Holding Company. An amount of Rs. 2,431.81 million (2017: Rs. 1,679 million) has been paid by the Holding Company to FEL till 30 June 2018. Subsequent to year end, dated 27 September 2018, the SBLC has been withdrawn by the Holding Company.

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| **16 Property, plant and equipment** | | | |
| Operating fixed assets | 16.1 | 25,382,180,278 | 20,567,185,772 |
| Capital work-in-progress - at cost | 16.3 | 323,351,874 | 415,546,806 |
| | | 25,705,532,152 | 20,982,732,578 |

**16.1 Operating fixed assets**

| | Cost / revalued amount | | | | | | Accumulated depreciation | | | | | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at 01 July 2017 | Revaluation surplus | Additions | Disposals | Balance as at 30 June 2018 | Rate % | Balance as at 01 July 2017 | Revaluation surplus | For the year | Disposals | Balance as at 30 June 2018 | Balance as at 30 June 2018 |
| | Rupees | | | | | | Rupees | | | | | |
| *Freehold land* | | | | | | | | | | | | |
| - cost | 468,681,716 | - | 2,467,750 | - | 471,149,466 | | - | - | - | - | - | 471,149,466 |
| - revaluation surplus | 1,536,028,392 | 1,891,069,892 | - | - | 3,427,098,284 | | - | - | - | - | - | 3,427,098,284 |
| | 2,004,710,108 | 1,891,069,892 | 2,467,750 | - | 3,898,247,750 | | - | - | - | - | - | 3,898,247,750 |
| | | - | - | - | - | | | - | - | - | - | |
| *Factory building on free hold land* | | | | | | | | | | | | |
| - cost | 1,796,007,136 | - | 282,988,821 | - | 2,078,995,957 | | 493,733,903 | - | 70,576,658 | - | 564,310,561 | 1,514,685,396 |
| - revaluation surplus | 2,489,837,102 | 837,458,791 | - | - | 3,327,295,893 | 5 | 936,996,021 | 262,119,666 | 87,231,040 | - | 1,286,346,727 | 2,040,949,166 |
| | 4,285,844,238 | 837,458,791 | 282,988,821 | - | 5,406,291,850 | | 1,430,729,924 | 262,119,666 | 157,807,698 | - | 1,850,657,288 | 3,555,634,562 |
| | | - | - | - | - | | | - | - | - | - | |
| *Non-factory building on free hold land* | | | | | | | | | | | | |
| - cost | 747,624,114 | - | 96,166,967 | - | 843,791,081 | | 174,620,025 | - | 30,080,378 | - | 204,700,403 | 639,090,678 |
| - revaluation surplus | 2,746,437,290 | 268,629,572 | - | - | 3,015,066,862 | 5 | 870,213,866 | 51,364,523 | 97,432,257 | - | 1,019,010,646 | 1,996,056,216 |
| | 3,494,061,404 | 268,629,572 | 96,166,967 | - | 3,858,857,943 | | 1,044,833,891 | 51,364,523 | 127,512,635 | - | 1,223,711,049 | 2,635,146,894 |
| | | - | - | - | - | | | - | - | - | - | |
| *Non-factory building on lease hold land* | | | | | | | | | | | | |
| - cost | - | - | 81,960,081 | - | 81,960,081 | | - | - | 7,171,507 | - | 7,171,507 | 74,788,574 |
| - revaluation surplus | - | - | - | - | - | 15 | - | - | - | - | - | - |
| | - | - | 81,960,081 | - | 81,960,081 | | - | - | 7,171,507 | - | 7,171,507 | 74,788,574 |
| | | - | - | - | - | | | - | - | - | - | |
| *Plant and machinery* | | | | | | | | | | | | |
| - cost | 13,817,936,752 | - | 1,188,734,361 | (90,106,375) | 14,916,564,738 | | 3,888,287,516 | - | 523,139,399 | (71,659,363) | 4,339,767,552 | 10,576,797,186 |
| - revaluation surplus | 3,742,310,994 | 1,480,317,014 | - | (33,944,478) | 5,188,683,530 | 5 | 1,556,394,175 | 507,901,458 | 125,280,732 | (14,649,143) | 2,174,927,222 | 3,013,756,308 |
| | 17,560,247,746 | 1,480,317,014 | 1,188,734,361 | (124,050,853) | 20,105,248,268 | | 5,444,681,691 | 507,901,458 | 648,420,131 | (86,308,506) | 6,514,694,774 | 13,590,553,494 |
| | | - | - | - | - | | | - | - | - | - | |
| *Electric fittings and installations* | | | | | | | | | | | | |
| - cost | 719,556,611 | - | 9,465,141 | (685,964) | 728,335,788 | | 185,499,892 | - | 26,887,413 | (396,521) | 211,990,784 | 516,345,004 |
| - revaluation surplus | 528,945,098 | 648,880,478 | - | - | 1,177,825,576 | 5 | 195,233,168 | 226,388,493 | 23,722,067 | - | 445,343,728 | 732,481,848 |
| | 1,248,501,709 | 648,880,478 | 9,465,141 | (685,964) | 1,906,161,364 | | 380,733,060 | 226,388,493 | 50,609,480 | (396,521) | 657,334,512 | 1,248,826,852 |
| | | - | - | - | - | | | - | - | - | - | |
| *Sui gas installations* | | | | | | | | | | | | |
| - cost | 14,020,862 | - | - | - | 14,020,862 | | 7,053,581 | - | 348,364 | - | 7,401,945 | 6,618,917 |
| - revaluation surplus | 8,478,502 | 5,134,356 | - | - | 13,612,858 | 5 | 4,309,304 | 2,677,723 | 249,404 | - | 7,236,431 | 6,376,427 |
| | 22,499,364 | 5,134,356 | - | - | 27,633,720 | | 11,362,885 | 2,677,723 | 597,768 | - | 14,638,376 | 12,995,344 |
| *Tools, laboratory equipment and arms* | | | | | | | | | | | | |
| - cost | 73,716,833 | - | 45,936,272 | (10,571,431) | 109,081,674 | | 28,360,071 | - | 3,254,483 | (7,980,267) | 23,634,287 | 85,447,387 |
| - revaluation surplus | 171,318,343 | 116,270,167 | - | (4,004,643) | 283,583,867 | 5 | 94,077,777 | 52,267,709 | 4,928,546 | (1,631,522) | 149,642,510 | 133,941,357 |
| | 245,035,176 | 116,270,167 | 45,936,272 | (14,576,074) | 392,665,541 | | 122,437,848 | 52,267,709 | 8,183,029 | (9,611,789) | 173,276,797 | 219,388,744 |
| *Fire extinguishing equipment and scales* | | | | | | | | | | | | |
| - cost | 14,687,810 | - | - | - | 14,687,810 | | 6,670,879 | - | 402,982 | - | 7,073,861 | 7,613,949 |
| - revaluation surplus | 34,925,690 | 11,315,820 | - | - | 46,241,510 | 5 | 16,218,866 | 5,197,968 | 1,036,805 | - | 22,453,639 | 23,787,871 |
| | 49,613,500 | 11,315,820 | - | - | 60,929,320 | | 22,889,745 | 5,197,968 | 1,439,787 | - | 29,527,500 | 31,401,820 |
| Office equipments | 46,522,484 | - | 6,572,629 | (1,866,072) | 51,229,041 | 10 | 19,996,674 | - | 2,821,044 | (807,991) | 22,009,727 | 29,219,314 |
| Furniture and fittings | 25,956,239 | - | 1,385,165 | - | 27,341,404 | 10 | 11,199,348 | - | 1,575,812 | - | 12,775,160 | 14,566,244 |
| Vehicles | 185,340,451 | - | 14,509,460 | (3,753,720) | 196,096,191 | 20 | 112,281,581 | - | 15,260,808 | (2,856,884) | 124,685,505 | 71,410,686 |
| **2018** | 29,168,332,419 | 5,259,076,090 | 1,730,186,647 | (144,932,683) | 36,012,662,473 | | 8,601,146,647 | 1,107,917,540 | 1,021,399,699 | (99,981,691) | 10,630,482,195 | 25,382,180,278 |

Operating fixed assets

| | Cost / revalued amount | | | | | | Accumulated depreciation | | | | | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at 01 July 2016 | Revaluation surplus | Additions | Disposals | Balance as at 30 June 2017 | Rate % | Balance as at 01 July 2016 | Revaluation surplus | For the year | Disposals | Balance as at 30 June 2017 | Balance as at 30 June 2017 |
| | ------------- Rupees ------------- | | | | | | | | | | | |
| *Freehold land* | | | | | | | | | | | | |
| - cost | 468,328,504 | - | 353,212 | - | 468,681,716 | | - | - | - | - | - | 468,681,716 |
| - revaluation surplus | 1,536,028,392 | - | - | - | 1,536,028,392 | | - | - | - | - | - | 1,536,028,392 |
| | 2,004,356,896 | - | 353,212 | - | 2,004,710,108 | | - | - | - | - | - | 2,004,710,108 |
| *Factory building on free hold land* | | | | | | | | | | | | |
| - cost | 1,790,566,980 | - | 5,440,156 | - | 1,796,007,136 | | 425,682,486 | - | 68,051,417 | - | 493,733,903 | 1,302,273,233 |
| - revaluation surplus | 2,489,837,102 | - | - | - | 2,489,837,102 | 5 | 855,267,542 | - | 81,728,479 | - | 936,996,021 | 1,552,841,081 |
| | 4,280,404,082 | - | 5,440,156 | - | 4,285,844,238 | | 1,280,950,028 | - | 149,779,896 | - | 1,430,729,924 | 2,855,114,314 |
| *Non-factory building on free hold land* | | | | | | | | | | | | |
| - cost | 723,116,136 | - | 24,507,978 | - | 747,624,114 | | 145,242,390 | - | 29,377,635 | - | 174,620,025 | 573,004,089 |
| - revaluation surplus | 2,746,437,290 | - | - | - | 2,746,437,290 | 5 | 771,465,263 | - | 98,748,603 | - | 870,213,866 | 1,876,223,424 |
| | 3,469,553,426 | - | 24,507,978 | - | 3,494,061,404 | | 916,707,653 | - | 128,126,238 | - | 1,044,833,891 | 2,449,227,513 |
| *Plant and machinery* | | | | | | | | | | | | |
| - cost | 12,111,680,762 | - | 1,720,170,820 | (13,914,830) | 13,817,936,752 | | 3,450,000,668 | - | 447,009,529 | (8,722,681) | 3,888,287,516 | 9,929,649,236 |
| - revaluation surplus | 3,743,586,463 | - | - | (1,275,469) | 3,742,310,994 | 5 | 1,441,853,346 | - | 115,073,485 | (532,656) | 1,556,394,175 | 2,185,916,819 |
| | 15,855,267,225 | - | 1,720,170,820 | (15,190,299) | 17,560,247,746 | | 4,891,854,014 | - | 562,083,014 | (9,255,337) | 5,444,681,691 | 12,115,566,055 |
| *Electric fittings and installations* | | | | | | | | | | | | |
| - cost | 689,296,974 | - | 30,702,429 | (442,792) | 719,556,611 | | 158,837,227 | - | 26,775,230 | (112,565) | 185,499,892 | 534,056,719 |
| - revaluation surplus | 528,945,098 | - | - | - | 528,945,098 | 5 | 177,669,383 | - | 17,563,785 | - | 195,233,168 | 333,711,930 |
| | 1,218,242,072 | - | 30,702,429 | (442,792) | 1,248,501,709 | | 336,506,610 | - | 44,339,015 | (112,565) | 380,733,060 | 867,768,649 |
| *Sui gas installations* | | | | | | | | | | | | |
| - cost | 14,020,862 | - | - | - | 14,020,862 | | 6,686,882 | - | 366,699 | - | 7,053,581 | 6,967,281 |
| - revaluation surplus | 8,478,502 | - | - | - | 8,478,502 | 5 | 4,089,873 | - | 219,431 | - | 4,309,304 | 4,169,198 |
| | 22,499,364 | - | - | - | 22,499,364 | | 10,776,755 | - | 586,130 | - | 11,362,885 | 11,136,479 |
| *Tools, laboratory equipment and arms* | | | | | | | | | | | | |
| - cost | 54,719,500 | - | 18,997,333 | - | 73,716,833 | | 26,805,724 | - | 1,554,347 | - | 28,360,071 | 45,356,762 |
| - revaluation surplus | 171,318,343 | - | - | - | 171,318,343 | 5 | 90,017,748 | - | 4,060,029 | - | 94,077,777 | 77,240,566 |
| | 226,037,843 | - | 18,997,333 | - | 245,035,176 | | 116,823,472 | - | 5,614,376 | - | 122,437,848 | 122,597,328 |
| *Fire extinguishing equipment and scales* | | | | | | | | | | | | |
| - cost | 14,651,810 | - | 36,000 | - | 14,687,810 | | 6,246,847 | - | 424,032 | - | 6,670,879 | 8,016,931 |
| - revaluation surplus | 34,925,690 | - | - | - | 34,925,690 | 5 | 15,235,086 | - | 983,780 | - | 16,218,866 | 18,706,824 |
| | 49,577,500 | - | 36,000 | - | 49,613,500 | | 21,481,933 | - | 1,407,812 | - | 22,889,745 | 26,723,755 |
| Office equipments | 43,486,465 | - | 4,993,101 | (1,957,082) | 46,522,484 | 10 | 18,146,598 | - | 2,620,876 | (770,800) | 19,996,674 | 26,525,810 |
| Furniture and fittings | 22,793,319 | - | 3,162,920 | - | 25,956,239 | 10 | 9,838,079 | - | 1,361,269 | - | 11,199,348 | 14,756,891 |
| Vehicles | 174,974,776 | - | 12,391,695 | (2,026,020) | 185,340,451 | 20 | 97,349,526 | - | 16,468,018 | (1,535,963) | 112,281,581 | 73,058,870 |
| 2017 | 27,367,192,968 | - | 1,820,755,644 | (19,616,193) | 29,168,332,419 | | 7,700,434,668 | - | 912,386,644 | (11,674,665) | 8,601,146,647 | 20,567,185,772 |

**16.1.1 Depreciation for the year has been allocated as under:**

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Cost of sales | *29* | **996,955,269** | 891,930,406 |
| Administrative expense | *31* | **24,444,430** | 20,456,238 |
| | | **1,021,399,699** | 912,386,644 |

**16.1.2** Additions in operating fixed assets represents transfer from capital work-in-progress.

**16.1.3** All assets of the Group as at 30 June 2018 are located in Pakistan.

**16.1.4** The latest valuation of of Group's assets has been carried as at 28 February 2018. Category wise gross amounts of property, plant and equipment subject to revaluation and their related forced sale, as at that date, values are given below:

| | Gross revalued amount | Forced sales value |
|---|---|---|
| | - - - - - - - - - Rupees | - - - - - - - - - |
| Freehold land | 3,895,000,000 | 3,115,995,482 |
| Factory building on free hold land | 3,412,299,132 | 2,729,763,049 |
| Non-factory building on free hold land | 2,585,200,868 | 2,068,117,076 |
| Plant and machinery | 13,425,150,000 | 10,739,782,745 |
| Electric fittings and installations | 1,266,700,000 | 1,013,343,865 |
| Sui gas installations | 13,221,897 | 10,578,000 |
| Tools, laboratory equipment and arms | 223,285,495 | 178,626,044 |
| Fire fighting and weighing scales | 31,992,608 | 25,593,739 |
| | **24,852,850,000** | **19,881,800,000** |

**16.1.5** Particulars of immoveable fixed assets (i.e. land and building) in the name of the Group are as follows:

| **Particulars** | **Location** | **Total Area** |
|---|---|---|
| Free hold land (Manufacturing Unit) | Jhang Road, Muzaffargarh | 588 kanal and 11.5 marlas |
| Free hold land (Residential Colony) | Jhang Road, Muzaffargarh | 107 kanal and 15 marlas |
| Free hold land (Manufacturing Unit) | Qadirpur Rawan bypass Khanewal Road, Multan | 624 kanal and 4.6 marlas |
| Free hold land (Residential Colony) | Qadirpur Rawan bypass Khanewal Road, Multan | 56 kanal and 13 marlas |
| Free hold land (Manufacturing Unit) | Qadirpur Rawan bypass Khanewal Road, Multan | 167 kanal and 4 marlas |
| Free hold land (Administrative Storage Unit) | Sarwar Road, Multan | 15 marlas |
| Free hold land | Bahawalpur Road, Multan | 7 kanal and 9 marlas |

Factory buildings, non-factory building, plant and machinery, electric fitting and installation and sui gas installation are located on above mentioned free hold land, whereas, building on leasehold land (Head office building) is constructed on land held under operating lease, measuring 7 kanal, 13 marla and 153 square feet, located at 59/3, Abdali Road, Multan.

**16.2 The following assets were disposed of during the year**

| | Cost / revalued amount | Accumulated depreciation | Net book value | Sale proceeds / Insurance claim | Gain / (loss) | Mode of disposal | Particulars of purchaser | Relationship |
|---|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | | |
| **Plant and machinery** | | | | | | | | |
| Twisting machine | 2,442,922 | 2,059,207 | 383,715 | 399,159 | 15,444 | Negotiation | Mr. Awad Raheel | Third party |
| Twisting machine | 700,466 | 594,516 | 105,950 | 168,067 | 62,117 | Negotiation | Mr. Awad Raheel | Third party |
| Two for one twister | 4,138,532 | 3,320,895 | 817,637 | 672,269 | (145,368) | Negotiation | Mr. Awad Raheel | Third party |
| Toyoda Ry-4 Blow Room m/c | 4,405,279 | 3,469,298 | 935,981 | 126,050 | (809,931) | Negotiation | Mr. Awad Raheel | Third party |
| Toyoda Ry-4 Blow Room m/c | 14,684,264 | 11,564,333 | 3,119,931 | 315,126 | (2,804,805) | Negotiation | Mr. Mansoor Hussain | Third party |
| Mach coner 7-II | 12,395,141 | 9,702,772 | 2,692,369 | 1,453,782 | (1,238,587) | Negotiation | Mr. Awad Raheel | Third party |
| Scutcher for blow room | 4,055,211 | 3,186,403 | 868,808 | 84,034 | (784,774) | Negotiation | Mr. Mansoor Hussain | Third party |
| Crossrol MK4 single carding machine | 3,274,753 | 2,503,963 | 770,790 | 260,504 | (510,286) | Negotiation | Mr. Ahsan | Third party |
| Ring frames EJM-128 | 2,832,713 | 1,761,312 | 1,071,401 | 281,512 | (789,889) | Negotiation | Mr. Ahsan | Third party |
| Ring frames EJM-128 | 2,832,713 | 1,761,312 | 1,071,401 | 281,513 | (789,888) | Negotiation | Mr. Ahsan | Third party |
| Simplex with texpart top drafting 120s HY 491A | 5,110,395 | 3,177,565 | 1,932,830 | 224,090 | (1,708,740) | Negotiation | Mr. Anas Bilal | Third party |
| Simplex with texpart top drafting 120s HY 491A | 10,991,289 | 6,526,765 | 4,464,524 | 448,179 | (4,016,345) | Negotiation | Mr. Anas Bilal | Third party |
| Fly frame M-Fa 415A (120 spindles frame) | 4,124,059 | 2,320,081 | 1,803,978 | 268,908 | (1,535,070) | Negotiation | Mr. Awad Raheel | Third party |
| Comber machine cm-10 | 373,108 | 109,524 | 263,584 | 84,034 | (179,550) | Negotiation | Mr. Mansoor Hussain | Third party |
| Ring frames EJM-128 | 4,249,070 | 2,646,520 | 1,602,550 | 519,498 | (1,083,052) | Negotiation | Mr. Ahsan | Third party |
| Blow room machinery | 4,405,279 | 3,470,910 | 934,369 | 84,034 | (850,335) | Negotiation | Mr. Mansoor Hussain | Third party |
| Blow room machinery - scutcher | 4,055,211 | 3,187,917 | 867,294 | 84,034 | (783,260) | Negotiation | Mr. Mansoor Hussain | Third party |
| Crossrol MK4 single carding machine | 3,274,753 | 2,505,481 | 769,272 | 315,126 | (454,146) | Negotiation | Mr. Anas Bilal | Third party |
| Ring frames EJM-128 | 7,081,783 | 4,410,867 | 2,670,916 | 865,830 | (1,805,086) | Negotiation | Mr. Ahsan | Third party |
| Card DK803 machine complete | 500,000 | 6,250 | 493,750 | 400,000 | (93,750) | Negotiation | Mr. Awad Raheel | Third party |
| Cooling tower | 1,012,003 | 397,950 | 614,053 | 366,982 | (247,071) | Negotiation | Ahmad Fine Textile Mills Limited | Associate |
| Dryer machine | 795,212 | 390,815 | 404,397 | 731,120 | 326,723 | Insurance Claim | Adamjee Insurance Company Limited | Third party |
| Air compressor 7.5KV | 1,957,585 | 901,432 | 1,056,153 | 2,080,880 | 1,024,727 | Insurance Claim | Adamjee Insurance Company Limited | Third party |
| Gas generator | 24,359,112 | 16,332,418 | 8,026,694 | 18,190,000 | 10,163,306 | Insurance Claim | Adamjee Insurance Company Limited | Third party |
| | **124,050,853** | **86,308,506** | **37,742,347** | **28,704,731** | **(9,037,616)** | | | |
| **Lab Equipment** | | | | | | | | |
| Uster spectrum | 10,398,996 | 6,465,936 | 3,933,060 | 2,136,752 | (1,796,308) | Negotiation | Ahmad Fine Textile Mills Limited | Associate |
| Uster tester model UT3-B/M | 4,177,078 | 3,145,853 | 1,031,225 | 415,816 | (615,409) | Negotiation | Fazal Rehman Fabrics Limited | Associate |
| | **14,576,074** | **9,611,789** | **4,964,285** | **2,552,568** | **(2,411,717)** | | | |
| **Vehicles** | | | | | | | | |
| Toyota altis LED-66-07 | 1,277,255 | 1,141,883 | 135,372 | 400,000 | 264,628 | Negotiation | Mr. Shahab ud Din | Third party |
| Toyota altis MN-12-2999 | 2,101,465 | 1,446,625 | 654,840 | 850,000 | 195,160 | Negotiation | Mr. Rafaqat | Third party |
| Honda civic No. MLM-99 | 375,000 | 268,376 | 106,624 | 160,000 | 53,376 | Negotiation | Mr. Tariq Ahmed Khan | Third party |
| | **3,753,720** | **2,856,884** | **896,836** | **1,410,000** | **513,164** | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Office equipments** | | | | | | | | |
| Laptop | 165,800 | 69,952 | 95,848 | 130,000 | 34,152 | Insurance Claim | Adamjee Insurance | Third party |
| Sony vaio Vpc-Sb18Ga laptop intel Core | 137,500 | 69,896 | 67,604 | 75,625 | 8,021 | Insurance Claim | Adamjee Insurance | Third party |
| Cabnit air conditoner 4 tons | 129,500 | 26,117 | 103,383 | 93,600 | (9,783) | Insurance Claim | Adamjee Insurance | Third party |
| Mitsubishi split AC | 117,328 | 56,525 | 60,803 | 75,000 | 14,197 | Insurance Claim | Adamjee Insurance | Third party |
| Photo copier machine | 100,000 | 37,671 | 62,329 | 73,000 | 10,671 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp core I5 4530S | 92,700 | 42,865 | 49,835 | 81,900 | 32,065 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp core I5 4530S | 88,500 | 23,804 | 64,696 | 57,100 | (7,596) | Insurance Claim | Adamjee Insurance | Third party |
| Laptop dell N5520 | 81,000 | 34,337 | 46,663 | 49,000 | 2,337 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp pavilion 15-P007Tx | 70,500 | 18,979 | 51,521 | 49,000 | (2,521) | Insurance Claim | Adamjee Insurance | Third party |
| Laptop | 67,800 | 19,610 | 48,190 | 52,200 | 4,010 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp-core I-V | 67,500 | 27,187 | 40,313 | 45,000 | 4,687 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop | 65,300 | 30,617 | 34,683 | 33,000 | (1,683) | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp 4520S Cor-15480 | 64,000 | 37,773 | 26,227 | 40,000 | 13,773 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop hp Core i5 4530S | 61,800 | 26,828 | 34,972 | 33,000 | (1,972) | Insurance Claim | Adamjee Insurance | Third party |
| Laptop dell inspiron N5010 | 60,000 | 30,239 | 29,761 | 33,900 | 4,139 | Insurance Claim | Adamjee Insurance | Third party |
| Note book laptop hp g60 | 58,500 | 35,626 | 22,874 | 42,100 | 19,226 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop intel core 2 Duo @ 2.2 g | 57,500 | 31,831 | 25,669 | 33,900 | 8,231 | Insurance Claim | Adamjee Insurance | Third party |
| Air conditioner | 47,000 | 45,811 | 1,189 | 37,500 | 36,311 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop lenovo B570 intel core i-3 | 44,000 | 20,961 | 23,039 | 28,600 | 5,561 | Insurance Claim | Adamjee Insurance | Third party |
| Cyber ups system rating 3 KVA | 40,000 | 29,724 | 10,276 | 31,000 | 20,724 | Insurance Claim | Adamjee Insurance | Third party |
| Split A/C mistubishi 1.5 Ton | 39,275 | 24,811 | 14,464 | 35,000 | 20,536 | Insurance Claim | Adamjee Insurance | Third party |
| Laptop core i3 cpu | 37,000 | 8,779 | 28,221 | 27,350 | (871) | Insurance Claim | Adamjee Insurance | Third party |
| Mobile samsung glaxy s5 | 32,404 | 9,542 | 22,862 | 30,000 | 7,138 | Insurance Claim | Adamjee Insurance | Third party |
| Samsung galaxy mega | 29,040 | 9,271 | 19,769 | 28,000 | 8,231 | Insurance Claim | Adamjee Insurance | Third party |
| Mobile samsung galaxy S4 | 25,000 | 7,202 | 17,798 | 28,000 | 10,202 | Insurance Claim | Adamjee Insurance | Third party |
| Mobile Phone | 25,000 | 10,067 | 14,933 | 17,500 | 2,567 | Insurance Claim | Adamjee Insurance | Third party |
| Mobile BP Z 10 | 21,354 | 6,817 | 14,537 | 15,375 | 838 | Insurance Claim | Adamjee Insurance | Third party |
| Printer Hp 3015 | 17,000 | 4,033 | 12,967 | 15,650 | 2,683 | Insurance Claim | Adamjee Insurance | Third party |
| Lcd monitor 17 " | 11,750 | 6,070 | 5,680 | 10,800 | 5,120 | Insurance Claim | Adamjee Insurance | Third party |
| 17" LCD daimond view used white Color | 6,220 | 3,513 | 2,707 | 5,500 | 2,793 | Insurance Claim | Adamjee Insurance | Third party |
| Scanner | 5,801 | 1,533 | 4,268 | 4,060 | (208) | Insurance Claim | Adamjee Insurance | Third party |
| | **1,866,072** | **807,991** | **1,058,081** | **1,311,660** | **253,579** | | | |
| **Electric Fitting & Installation** | | | | | | | | |
| LG A/C artcool delux 2 ton | 113,990 | 66,401 | 47,589 | 100,000 | 52,411 | Insurance Claim | Adamjee Insurance | Third party |
| UPS MGE 3 Kva | 90,000 | 74,547 | 15,453 | 75,000 | 59,547 | Insurance Claim | Adamjee Insurance | Third party |
| LG A/C split 2 ton | 81,230 | 44,182 | 37,048 | 45,500 | 8,452 | Insurance Claim | Adamjee Insurance | Third party |
| Gm-1-H Lg | 68,000 | 36,505 | 31,495 | 67,000 | 35,505 | Insurance Claim | Adamjee Insurance | Third party |
| Main Store Orient | 63,100 | 39,350 | 23,750 | 63,000 | 39,250 | Insurance Claim | Adamjee Insurance | Third party |
| LG A/C window 2 ton | 59,896 | 34,579 | 25,317 | 32,500 | 7,183 | Insurance Claim | Adamjee Insurance | Third party |
| Air conditioner 1.5 ton | 47,460 | 24,059 | 23,401 | 32,500 | 9,099 | Insurance Claim | Adamjee Insurance | Third party |
| GM-4-H LG | 36,788 | 19,460 | 17,328 | 39,400 | 22,072 | Insurance Claim | Adamjee Insurance | Third party |
| UBNT- bridge | 37,500 | 7,549 | 29,951 | 29,390 | (561) | Insurance Claim | Adamjee Insurance | Third party |
| A/C split LG 1.5 tons | 29,500 | 16,398 | 13,102 | 37,000 | 23,898 | Insurance Claim | Adamjee Insurance | Third party |
| A/C split LG 1.5 tons | 29,500 | 16,398 | 13,102 | 37,000 | 23,898 | Insurance Claim | Adamjee Insurance | Third party |
| General A/C 1.5 ton model No 53 G/M | 29,000 | 17,093 | 11,907 | 24,700 | 12,793 | Insurance Claim | Adamjee Insurance | Third party |
| | **685,964** | **396,521** | **289,443** | **582,990** | **293,547** | | | |
| **2018** | **144,932,683** | **99,981,691** | **44,950,992** | **34,561,949** | **(10,389,043)** | | | |
| 2017 | 19,616,193 | 11,674,666 | 7,941,527 | 19,361,157 | 11,419,630 | | | |

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| **16.3 Capital work-in-progress - *cost*** | | | |
| Balance as at 01 July | | **415,546,806** | 227,487,408 |
| Additions during the year | | **1,637,991,715** | 2,008,815,042 |
| Transfers during the year | *16.1* | **(1,730,186,647)** | (1,820,755,644) |
| Balance as at 30 July | *16.3.1* | **323,351,874** | 415,546,806 |

**16.3.1 Breakup of capital work-in-progress:**

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| *Factory buildings* | | |
| Material and expenses | **77,655,965** | 154,455,632 |
| Advance payments | **41,702,783** | 109,535,237 |
| | **119,358,748** | 263,990,869 |
| Non-factory buildings - material and expenses | **21,495,943** | 114,675,777 |
| *Plant and machinery* | | |
| Cost and expenses | **15,162,668** | 614,295 |
| Advance payments | **12,137,783** | 9,172,340 |
| Letters of credit | **142,155,361** | 23,158,945 |
| | **169,455,812** | 32,945,580 |
| *Furniture and fixtures* | | |
| Cost and expenses | **-** | 1,752,419 |
| Advance payments | **-** | 797,161 |
| | **-** | 2,549,580 |
| Office equipment - Advance payments | **-** | 8,000 |
| Electric fittings and Installations - Advance payments | **7,287,730** | - |
| Vehicles - Advance payments | **4,017,285** | 1,377,000 |
| Intangible - Cost and expenses | **1,736,356** | - |
| | **323,351,874** | 415,546,806 |

## 17 Long term investments

***Investment in related parties :***

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| Available for sale - at fair value | *17.1* | **2,041,006,604** | 2,122,268,904 |
| Associated companies - at equity method | *17.2* | **1,331,535,796** | 1,385,976,199 |
| | | **3,372,542,400** | 3,508,245,103 |
| **Others** | | | |
| Others - at cost | *17.3* | **21,644,000** | 21,644,000 |
| | | **3,394,186,400** | 3,529,889,103 |

| | Note | Shares | | Market value | | Market value per share | | Percentage of holding | |
|---|---|---|---|---|---|---|---|---|---|
| | | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 |
| | | ---Number--- | | ---Rupees--- | | ---Rupees--- | | | |
| **Available for sale - at fair value** | | | | | | | | | |
| Fatima Fertilizer Company Limited - quoted | *17.1.1* | **62,994,031** | 62,994,031 | **2,041,006,604** | 2,122,268,904 | 32.40 | 33.69 | **3.00%** | 3.00% |

| | Note | Shares | | Carrying value | | Percentage of holding | |
|---|---|---|---|---|---|---|---|
| | | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 |
| | | ---Number--- | | ---Rupees--- | | | |
| **Associated companies with significant influence** | | | | | | | |
| **- at equity method** | | | | | | | |
| Fatima Energy Limited - unquoted | *17.4* | **137,421,349** | 137,421,349 | **1,289,813,317** | 1,332,751,560 | **24.11%** | 24.24% |
| Fatima Transmission Company Limited - unquoted | *17.4* | **5,520,000** | 5,520,000 | **41,692,867** | 53,154,639 | **24.0%** | 24.0% |
| Fatima Electric Company Limited - unquoted | *17.4* | **7,000** | 7,000 | **29,612** | 70,000 | **20.0%** | 20.0% |
| | | **142,948,349** | 142,948,349 | **1,331,535,796** | 1,385,976,199 | | |

**17.1.1** The Group does not have significant influnece on Fatima Fertilizer Company Limited.

**17.3** This represents 0.21 million (30 June 2017: 0.21 million) ordinary shares of Multan Real Estate (Private) Limited which are valued at cost owing to non-availability of market value of its shares.

**17.4** Investments of the Group in associated companies has been accounted for under equity method of accounting based on its audited financial statements for the year ended at 30 June 2018.

**17.4.1** Reconciliation of carrying value of investments in associated companies accounted for under equity method:

| | **2018** | | |
|---|---|---|---|
| | **FEL** | **FTCL** | **FECL** |
| | | **Rupees** | |
| Cost of investment | **1,374,213,490** | **55,200,000** | **70,000** |
| *Company`s share of loss - post acquisition* : | | | |
| Balance at 01 July | **(41,461,930)** | **(2,045,361)** | **-** |
| *Statement of profit or loss* | | | |
| - share of loss | **(33,389,688)** | **(11,461,772)** | **(29,131)** |
| - effect of other adjustments | **-** | **-** | **(11,257)** |
| - dilution gain | **110,393** | **-** | **-** |
| | **(33,279,295)** | **(11,461,772)** | **(40,388)** |
| - share of tax | **(9,527,790)** | **-** | **-** |
| Share of other comprehensive loss for the year | **(131,158)** | **-** | **-** |
| Balance at 30 June | **(84,400,173)** | **(13,507,133)** | **(40,388)** |
| Net investment at 30 June | **1,289,813,317** | **41,692,867** | **29,612** |

| | 2017 | | |
|---|---|---|---|
| | FEL | FTCL | FECL |
| | | Rupees | |
| Cost of investment | 1,374,213,490 | 55,200,000 | 70,000 |
| *Company`s share of loss - post acquisition* : | | | |
| Balance at 01 July | (18,488,321) | (131,250) | - |
| Share of loss for the year: | | | |
| - share of loss | (14,379,410) | (728,709) | - |
| - effect of other adjustments | (7,827,488) | - | - |
| - dilution gain | - | (1,185,402) | - |
| | (22,206,898) | (1,914,111) | - |
| Share of other comprehensive loss for the year | (766,711) | - | - |
| Balance at 30 June | (41,461,930) | (2,045,361) | - |
| Net investment at 30 June | 1,332,751,560 | 53,154,639 | 70,000 |

17.4.2 Summarised financial information in respect of associated company on the basis of financial statements for the year ended 30 June 2018 and 2017 are set out below:

| | 2018 | | |
|---|---|---|---|
| | **FEL** | **FTCL** | **FECL** |
| | ---------------- **Rupees** ---------------- | | |
| Non current assets | **26,955,441,000** | **758,043,886** | **-** |
| Current assets | **1,373,620,000** | **1,010,763** | **173,060** |
| Non current liability | **(14,810,016,000)** | **(368,421,054)** | **-** |
| Current liabilities | **(8,169,341,000)** | **(216,913,317)** | **(25,000)** |
| Net assets - 100% | **5,349,704,000** | **173,720,278** | **148,060** |
| Percentage ownership interest | **24.11%** | **24.00%** | **20.00%** |
| Group's share of net assets | **1,289,813,317** | **41,692,867** | **29,612** |
| Carrying amount of interest in associated company | **1,289,813,317** | **41,692,867** | **29,612** |
| Loss for the year from operations | **(178,007,000)** | **(47,757,383)** | **(145,655)** |
| Other comprehensive loss | **(544,000)** | **-** | **-** |
| | **(178,551,000)** | **(47,757,383)** | **(145,655)** |
| Group's share of - *post acquistion* | **(43,048,636)** | **(11,461,772)** | **(29,131)** |

| | 2017 | | |
|---|---|---|---|
| | FEL | FTCL | FECL |
| | ---------------- Rupees ---------------- | | |
| Non current assets | 24,603,292,000 | 756,612,392 | - |
| Current assets | 2,675,254,000 | 1,082,511 | 354,050 |
| Non current liability | (15,832,522,000) | (421,052,632) | - |
| Current liabilities | (5,947,874,000) | (115,164,610) | (60,335) |
| Net assets - 100% | 5,498,150,000 | 221,477,661 | 293,715 |
| Percentage ownership interest | 24.24% | 24.00% | 20.00% |
| Group's share of net assets | 1,332,751,560 | 53,154,639 | 58,743 |
| Carrying amount of interest in associated company | 1,332,751,560 | 53,154,639 | 70,000 |
| Loss for the year from operations | (59,321,000) | (3,036,287) | - |
| Other comprehensive loss | (3,163,000) | - | - |
| Group's share of - *post acquistion* | (15,146,121) | (728,709) | - |

17.5 Summarised financial information in respect of subsidiary company on the basis of financial statements for the year ended 30 June 2018 and 30 June 2017 are set out below:

| | Fazal Weaving Mills Limited | |
|---|---|---|
| | ------------ **Rupees** ------------ | |
| Non current assets | **3,439,428,940** | 3,136,839,795 |
| Current assets | **3,102,618,556** | 1,867,970,981 |
| Current liabilities | **3,776,158,180** | 2,465,096,411 |
| Non current liabilites | **1,651,223,485** | 1,922,100,924 |
| Net assets - 100% | **11,969,429,161** | 9,392,008,111 |
| Revenue | **6,248,629,789** | 6,227,661,638 |
| Profit for the year from operations | **406,144,754** | 355,408,885 |
| Cash flows from | | |
| - operating activity | **(1,087,763,937)** | (659,165,972) |
| - investing activity | **(75,159,477)** | (69,243,859) |
| - financing activity | **1,202,236,560** | 631,201,331 |
| Net increase/ (decrease) in cash and cash equivalents | **39,313,146** | (97,208,500) |

| | | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| **18** | **Long term advance to associates** | | | |
| | Pak Arab Energy Limited | | **25,904,160** | 25,904,160 |
| | Fatima Transmission Company Limited | | **23,320,790** | 11,761,200 |
| | Fatima Energy Limited | | **1,057,601,401** | 304,882,685 |
| | | *18.1* | **1,106,826,351** | 342,548,045 |

**18.1** Provisions of section 199 of the Companies Act, 2017 have been fully complied with in respect of advances to associated companies.

| | | Note | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|
| **19** | **Stores, spares and loose tools** | | | |
| | Stores [ In-transist: Rs. 42.02 million (2017: Rs. 68.01 million)] | | **151,116,491** | 172,596,278 |
| | Spares | | **392,414,354** | 454,947,529 |
| | Loose tools | | **483,691** | 711,556 |
| | | | **544,014,536** | 628,255,363 |
| | Provision for slow moving items | | **(1,770,316)** | (1,770,316) |
| | | | **542,244,220** | 626,485,047 |
| **20** | **Stock-in-trade** | | | |
| | Raw material [In-transist: Rs. 1,791.72 million (2017: Rs 455.40 million)] | | **8,052,539,544** | 5,163,805,460 |
| | Work-in-process | | **359,035,028** | 310,982,823 |
| | Finished goods | | | |
| | Yarn | | **1,625,618,607** | 1,687,403,807 |
| | Fabric | | **320,144,524** | 417,807,500 |
| | | | **1,945,763,131** | 2,105,211,307 |
| | | | **10,357,337,703** | 7,579,999,590 |
| **21** | **Trade debts** | | | |
| | *Export debtors - secured against letters of credit:* | | | |
| | Considered good | | **3,630,040,600** | 2,241,365,975 |
| | *Local debtors - unsecured* | | | |
| | Related Parties - considered good | *21.1 & 21.2* | **23,764,192** | 178,469,148 |
| | Others - considered good | | **1,583,953,495** | 2,199,224,205 |
| | Others - considered doubtful | | **8,856,467** | - |
| | | | **1,616,574,154** | 2,377,693,353 |
| | Provision for doubtful balances | | **(8,856,467)** | - |
| | | | **5,237,758,287** | 4,619,059,328 |

**21.1** These include due from following associated undertakings on account of trading activities.

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| Reliance Weaving Mills Limited | **3,208,468** | 3,471,221 |
| Fazal Rehman Fabrics Limited | **16,141,170** | 170,961,236 |
| Ahmad Fine Textile Mills Limited | **-** | 4,036,691 |
| Fatimafert Limited | **4,414,554** | - |
| | **23,764,192** | 178,469,148 |

**21.2** The ageing analysis of trade debts from related parties is as follows:

| | 2018 Rupees | 2017 Rupees |
|---|---|---|
| Not yet due | **18,189,521** | 71,311,324 |
| 1 to 30 days | **4,414,554** | 73,037,135 |
| 30 to 150 days | **-** | 31,825,977 |
| 150 days and above | **1,160,117** | 2,294,712 |
| | **23,764,192** | 178,469,148 |

**21.3** During the year, maximum agregate amount outsatnding balance from Fazal Rehman Mills Limited, Reliance Weaving Mills Limited and Fatimafert Limited is Rs. 446.86 million, Rs. 13.12 million and Rs. 4.41 million respectively.

## 22 Loans and advances

| | *Note* | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| ***Considered good*** | | | |
| Advances to suppliers and contractors | | **146,099,599** | 153,779,837 |
| Advances to: | | | |
| *- Executives against salaries - secured* | | **-** | 150,000 |
| *- Other employees against salaries- secured* | | **12,436,173** | 11,312,092 |
| Letters of credit | | **6,031,633** | 32,353,097 |
| | | **164,567,405** | 197,595,026 |

## 23 Deposits, prepayments and other receivable

| | | 2018 | 2017 |
|---|---|---|---|
| Deposits | | **2,827,920** | 6,437,920 |
| Prepayments | | **31,965,912** | 244,497 |
| Insurance and import claim receivable | | **23,493,205** | 22,260,097 |
| Guarantee margin | | **-** | 80,000,000 |
| Cash Margin | | **3,979,668** | |
| Duty drawback receivable | *23.1* | **527,236,418** | 207,023,971 |
| | | **589,503,123** | 315,966,485 |

**23.1** This represent amount receivable against duty draw back as detailed under note 29.1.3.

**24** It represents mark-up accrued on advances given to FEL, FTCL and FECL at weighted average borrowing cost of the Holding Company. During the year, mark-up was charged at the rates ranging from 7.76% to 8.36% per annum (2017: 7.72.% to 7.79% per annum).

| | **2018** | 2017 |
|---|---|---|
| **25 Short term investment** | **Rupees** | Rupees |
| Investment at fair value through statement of profit or loss | | |
| Fatima Fertilizer Company Limited - *quoted* | | |
| 6,120,000 (2017: 6,520,000) fully paid | | |
| ordinary shares of Rs. 10 each | | |
| Equity held 0.29% (2017: 0.31%) | **198,288,000** | 219,658,800 |

**25.1** Movement in short term investment at fair value through consolidated statement of profit or loss is as follows:

| | | **2018** | 2017 |
|---|---|---|---|
| | *Note* | **Rupees** | Rupees |
| Market value as at 01 July | | **219,658,800** | 221,288,800 |
| *Investments disposed during the year:* | | | |
| - Fair value realized | | **(12,657,400)** | - |
| - Loss on disposal of investment | | **(818,600)** | - |
| | | **(13,476,000)** | - |
| Unrealized fair value loss on re-measurement of investments | | **(7,894,800)** | (1,630,000) |
| Market value as at 30 June | | **198,288,000** | 219,658,800 |

**26 Tax refunds due from the Government - net**

| | | | |
|---|---|---|---|
| Sales tax | *26.1* | **563,472,671** | 591,710,049 |
| Income tax - net | | **470,635,248** | 463,721,682 |
| Excise duty | | **11,881,580** | 7,546,288 |
| | | **1,045,989,499** | 1,062,978,019 |

**26.1** As detailed in note 28.1, in pursuance to amendments in S.R.O 1125/(I)/2011 vide S.R.O 584(I)/2017, the Group is charging further tax at the rate 1% to unregistered person under section 3(1A) of the Sales Act, 1990 with effect from 01 July 2017. However, the Holding has challenged the amendments in Honorable High Court of Lahore ('LHC') and the LHC has issued an interim stay in favor of the Holding Company, whereas the writ petition is pending adjudication. Accordingly, an amount of Rs. 69.11 million stands payable as at year end.

| | | **2018** | 2017 |
|---|---|---|---|
| **27 Cash and bank balances** | *Note* | **Rupees** | Rupees |
| Cash in hand | | **17,095,238** | 15,463,035 |
| Cash at banks | | | |
| - *Current accounts* | | **116,749,586** | 127,871,300 |
| - *Saving accounts* | *27.1* | **452,668** | 19,709 |
| | | **117,202,254** | 127,891,009 |
| | | **134,297,492** | 143,354,044 |

**27.1** Rate of interest and mark up on saving accounts ranges from 0.49% to 4.44% (2017: 2.87% to 6.19%) per annum.

| **28 Sales - *net*** | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| ***Local:*** | | | |
| Yarn | | **16,409,603,059** | 14,238,697,431 |
| Comber noil | | **258,181,585** | 79,063,259 |
| Fabric | | **3,324,476,889** | 3,974,946,998 |
| Waste | | **499,096,735** | 413,442,837 |
| | | **20,491,358,268** | 18,706,150,525 |
| Cotton and other products | | **19,709,877** | 94,434,533 |
| | | **20,511,068,145** | 18,800,585,058 |
| Less: | | | |
| Sales return | | **56,933,081** | (24,130,710) |
| Sales tax | *28.1* | **68,097,919** | - |
| | | **125,031,000** | (24,130,710) |
| Net local sales | | **20,386,037,145** | 18,776,454,348 |
| ***Export:*** | | | |
| Yarn | | **10,390,828,763** | 9,574,086,466 |
| Fabric | | **2,387,903,027** | 1,561,490,550 |
| Comber noil | | **180,419,832** | 233,582,182 |
| | | **12,959,151,622** | 11,369,159,198 |
| | | **33,345,188,767** | 30,145,613,546 |

**28.1** This represent further tax at the rate of 1% (2017: Nil) on sale of yarn to unregistered persons with effect from 01 July 2017 under SRO 1125(1)/2011 amended vide SRO 584(1)/ 2017, dated 01 July 2017.

| **29 Cost of sales** | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| Raw material consumed | *29.1* | **21,390,682,524** | 19,384,368,394 |
| Packing material consumed | | **416,914,914** | 363,475,816 |
| Salaries, wages and benefits | *29.2* | **1,925,725,726** | 1,817,740,500 |
| Travelling and conveyance | | **13,688,277** | 14,200,388 |
| Power and fuel | | **3,403,907,550** | 2,964,440,349 |
| Stores and spares consumed | | **711,746,637** | 539,993,309 |
| Repair and maintenance | | **41,500,219** | 26,661,575 |
| Insurance | | **62,692,750** | 58,117,157 |
| Depreciation | *16.1.1* | **996,955,269** | 891,930,406 |
| Others | | **1,506,130** | 1,177,430 |
| | | **28,965,319,996** | 26,062,105,324 |
| ***Work-in-process :*** | | | |
| Balance at 01 July | | **310,982,823** | 278,621,424 |
| Balance at 30 June | | **(359,035,028)** | (310,982,823) |
| | | **(48,052,205)** | (32,361,399) |
| **Cost of goods manufactured** | | **28,917,267,791** | 26,029,743,925 |

*Finished goods* :

| | | | |
|---|---|---|---|
| Balance at 01 July | | **2,105,211,307** | 2,614,346,122 |
| Finished goods purchased | | **732,702,173** | 1,319,897,880 |
| Balance at 30 June | | **(1,945,763,131)** | (2,105,211,307) |
| | | **892,150,349** | 1,829,032,695 |
| Cost of goods sold | | **29,809,418,140** | 27,858,776,620 |
| Cost of raw material sold | | **27,180,663** | 88,789,352 |
| | | **29,836,598,803** | 27,947,565,972 |

**29.1 Raw material consumed**

| | | | |
|---|---|---|---|
| Raw material as at 1 July | | **5,163,805,460** | 3,325,655,766 |
| Purchases related expenses | | **24,442,922,594** | 21,341,691,481 |
| Transfer from ginning unit | *29.1.1* | **354,293,400** | 108,704,323 |
| | | **24,797,215,994** | 21,450,395,804 |
| | | **29,961,021,454** | 24,776,051,570 |
| Raw material as at 30 June | | **(6,260,819,791)** | (4,708,401,949) |
| Stock-in-transit | | **(1,791,719,753)** | (455,403,511) |
| | | **(8,052,539,544)** | (5,163,805,460) |
| | | **21,908,481,910** | 19,612,246,110 |
| Duty drawback on exports | *29.1.3* | **(517,799,386)** | (227,877,716) |
| | | **21,390,682,524** | 19,384,368,394 |

**29.1.1 Production cost of ginning unit - *net***

| | **2018 Rupees** | 2017 Rupees |
|---|---|---|
| Raw material purchased and consumed | **446,865,176** | 144,124,246 |
| Lease charges | **1,250,000** | 1,250,000 |
| Salaries, wages and benefits | **6,865,168** | 4,353,132 |
| Travelling and conveyance | **572,659** | 555,125 |
| Repair and maintenance | **1,790,178** | 207,118 |
| Store consumption | **504,716** | 181,038 |
| Utilities | **143,720** | 64,101 |
| Entertainment | **237,520** | 149,617 |
| Legal and professional | **40,070** | 40,070 |
| Printing and stationery | **38,130** | 16,954 |
| Communication | **78,020** | 46,780 |
| Insurance | **97,943** | 134,438 |
| Others | **173,570** | 86,490 |
| | **458,656,870** | 151,209,109 |
| Sale of cotton seed | **(104,363,470)** | (42,504,786) |
| Transferred to raw material consumed | **354,293,400** | 108,704,323 |

**29.1.2** The Holding Company has acquired a cotton ginning factory from Hussain Ginneries Limited 'an associated undertaking' on operating lease basis. Its total cost of production, after adjustment of sale of cotton seed to third parties, has been transferred to the Holding Company as raw material cost.

**29.1.3** This represents Duty Drawback on exports under Duty Drawback of Taxes Order 2017-2018 allowed by the Ministry of Textile under the Prime Minister's package of incentives for exporters.

**29.2** These include Rs. 113.61 million (2017: Rs. 83.04 million) in respect of staff retirement benefits.

| **30 Selling and distribution expenses** | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| *Export sales:* | | | |
| Export development surcharge | | **30,621,229** | 24,964,982 |
| Freight, shipment and handling charges | | **243,946,433** | 216,122,640 |
| Insurance | | **17,720,357** | 3,448,452 |
| Commission | | **172,024,868** | 165,858,715 |
| *Local sales:* | | | |
| Freight, shipment, handling and other charges | | **38,162,442** | 30,246,160 |
| Insurance | | **2,210,666** | 1,570,623 |
| Salaries and benefits - *marketing staff* | *30.1* | **8,650,577** | 6,788,269 |
| Commission | | **61,388,244** | 57,264,424 |
| | | **574,724,816** | 506,264,265 |

**30.1** These include Rs. 0.86 million (2017: Rs. 0.66 million) in respect of staff retirement benefits.

| **31 Administrative expenses** | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| Salaries and benefits | *31.1* | **172,579,471** | 152,443,180 |
| Traveling and conveyance | *31.2* | **15,240,010** | 10,958,518 |
| Vehicle running and maintenance | | **23,284,591** | 18,034,604 |
| Rent, rates, taxes and fees | | **28,741,342** | 11,732,687 |
| Electricity, gas and water | | **4,607,914** | 4,325,795 |
| Entertainment / guest house expenses | | **17,974,573** | 13,584,932 |
| Communication | | **12,301,266** | 11,014,395 |
| Printing and stationery | | **6,706,918** | 6,191,961 |
| Insurance | | **5,337,793** | 5,068,491 |
| Repair and maintenance | | **10,412,547** | 3,535,695 |
| Subscription / advertisement | | **3,575,729** | 4,752,410 |
| Auditors' remuneration | *31.3* | **2,415,000** | 2,102,040 |
| Legal and professional charges | | **2,105,975** | 7,201,706 |
| Directors' meeting fee | | **-** | 150,000 |
| Depreciation | *16.1.1* | **24,444,430** | 20,456,238 |
| Amortization | | **136,464** | 181,950 |
| Impairment loss of goodwill | | **505,761** | - |
| Others | | **4,773,666** | 2,690,531 |
| | | **335,143,450** | 274,425,133 |

**31.1** These include Rs. 14.29 million (2017: Rs. 10.99 million) in respect of staff retirement benefits.

**31.2** These include Directors' traveling expense of Rs. 4.6 million (2017: Rs. 3.9 million).

| **31.3 Auditors' remuneration** | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| Fee for statutory audit | | **1,600,000** | 1,257,000 |
| Six month review | | **550,000** | 495,000 |
| Other certifications | | **100,000** | 185,040 |
| Out of pocket expenses | | **165,000** | 165,000 |
| | | **2,415,000** | 2,102,040 |

**32 Other expenses**

| | | | |
|---|---|---|---|
| Workers' Profit participation fund | *12.3* | **85,835,267** | 32,196,742 |
| Workers welfare fund | *12.4* | **14,449,516** | - |
| Unrealized loss on re-measurement of short term investments at fair value | *25.1* | **7,894,800** | 1,630,000 |
| Loss on sale of short term investment | *25.1* | **818,600** | - |
| Loss on disposal of property, plant and equipment | *16.2* | **10,389,043** | - |
| Donations | *32.1* | **12,698,584** | 6,993,371 |
| Provision for doubtful debts | | **8,856,467** | - |
| Bad debts written off | | **308,315** | 4,662,227 |
| | | **141,250,592** | 45,482,340 |

**32.1 Donations for the year have been given to:**

| | | | |
|---|---|---|---|
| Fazal Rehman Foundation | *32.1.1* | **3,784,412** | 3,612,000 |
| Cardiology Multan Foundation | | **2,000,000** | - |
| Pakistan Cancer Patient Welfare Society | | **1,139,548** | - |
| Combine Military Hospital Multan | | **1,000,000** | - |
| S.O.S Children Village Multan | | **798,000** | 532,000 |
| Al-Noor Special Children School Multan | | **600,000** | 450,000 |
| Others | *32.1.2* | **3,376,624** | 2,399,371 |
| | | **12,698,584** | 6,993,371 |

**32.1.1** Mr. Sheikh Naseem Ahmad (Cheif Executive Officer) is amongst the trustees of the Fazal Rehman Foundation.

**32.1.2** Others' includes donations paid to various insitutions. The agregate amount paid to a single insitution is less than Rs. 0.5 million.

| **33 Other income** | *Note* | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| ***Income from financial assets*** | | | |
| Dividend income | *33.1* | **156,406,569** | 225,920,601 |
| Mark-up on advance to associated undertaking | *24* | **54,201,241** | 7,729,551 |
| Exchange gain - *net* | *33.2* | **257,816,619** | 36,593,546 |
| | | **468,424,429** | 270,243,698 |
| ***From non-financial assets*** | | | |
| Gain on disposal of property, plant and equipment | *16.2* | **-** | 11,419,630 |
| Reversal of provision of WWF | *12.4* | **-** | 124,867,986 |
| Scrap sales | | **16,233,816** | 8,861,280 |
| | | **16,233,816** | 145,148,896 |
| | | **484,658,245** | 415,392,594 |

**33.1** This represent annual dividend for the year ended 31 December 2017 declared and received from Fatima Fertilizer Limited 'an associated undertaking'.

**33.2** This includes net exchange gain on export sales of Rs. 404.10 million and net exchange loss on import of raw material of Rs. 146.28 million.

| | Note | **2018** **Rupees** | 2017 Rupees |
|---|---|---|---|
| **34 Share of loss from associates - net** | | | |
| Share of loss from associated companies | | | |
| - Fatima Energy limited | | **(33,389,697)** | (22,206,898) |
| - Fatima Transmission Company limited | | **(11,461,772)** | (728,955) |
| - Fatima Electric Company limited | | **(40,388)** | - |
| | | **(44,891,857)** | (22,935,853) |
| Gain/(loss) on dilution of equity interest in associated companies | | | |
| - Fatima Energy limited | | **110,402** | - |
| - Fatima Transmission Company limited | | **-** | (1,185,156) |
| | | **110,402** | (1,185,156) |
| | *17.4.1* | **(44,781,455)** | (24,121,009) |
| **35 Finance cost** | | | |
| *Mark-up based loans from conventional banks:* | | | |
| - Long term financing - *secured* | | **611,844,027** | 584,545,377 |
| - Short term borrowings - *secured* | | **526,978,679** | 267,110,127 |
| | | **1,138,822,706** | 851,655,504 |
| *Islamic mode of financing:* | | | |
| - Musharika - *secured* | | **72,715,112** | 98,245,273 |
| - Short term borrowings - *secured* | | **65,640,695** | 21,457,896 |
| | | **138,355,807** | 119,703,169 |
| Bank charges | | **83,909,414** | 79,904,684 |
| Interest on workers' profit participation fund | *12.3* | **1,510,382** | 3,239,218 |
| | | **1,362,598,309** | 1,054,502,575 |
| **36 Taxation** | | | |
| *Group taxation* | | | |
| Current tax | | | |
| - *for the year* | | **331,653,170** | 154,733,713 |
| - *prior year* | | **2,274,116** | (15,585,089) |
| | | **333,927,286** | 139,148,624 |
| Deferred tax | | **(85,232,702)** | 114,525,998 |
| | | **248,694,584** | 253,674,622 |
| Associated companies | *17.4.1* | **9,527,790** | - |
| | | **258,222,374** | 253,674,622 |

**36.1** The tax provision is charged by considering the provision of section 113, 65B, 154(5) and other tax credits available under the Income Tax Ordinance, 2001. In addition to this, it also includes tax on exports and imports and income from other sources which is full and final discharge of Group's tax liability in respect of income arising from such source.

**36.2** The numerical reconciliation between the average tax rate and the applicable tax rate is as follows:

| | **2018** | 2017 |
|---|---|---|
| Applicable tax rate | **30%** | 31% |
| *Tax effect of amounts that are:* | | |
| - Effect of change in tax rate and proration rate | **-13%** | 0% |
| - Effect of prior year adjustment | **0%** | -2% |
| - Effect of minimum tax and final tax regime | **-3%** | 16% |
| - Effects of temporary/ deductible differences | **8%** | 16% |
| - Effect of associate taxation | **1%** | 0% |
| - Effect of tax credits under section 65B | **-8%** | -25% |
| - Effect of super tax under section 4B | **2%** | 0% |
| Average effective tax rate charged to consolidated statement of profit or loss | **17%** | 36% |

**36.3** As explained in note 48 to the consolidated financial statements, the Board of Directors of the Holding Company in their meeting held on 04 October 2018 has recommended final cash dividend of Rs. 8.50 per ordinary share for the year ended 30 June 2018 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these consolidated financial statements for the year ended 30 June 2018.

**36.4** As per management assessment, the provision for tax made in consolidated financial statements is sufficient. As detailed in note 4.19, the Holding Company has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. Accordingly the comparison of Groups' last three years of income tax provision with tax assessments is presented below:

| **Tax Years** | **Tax provision as per consolidated financial statements** | **Tax as per assessment/return** |
|---|---|---|
| | **Rupees** | **Rupees** |
| 2015 | 133,076,099 | 178,117,650 |
| 2016 | 192,292,816 | 176,707,727 |
| 2017 | 139,148,624 | 157,007,828 |

**37 Earnings per share - *basic and diluted***

**37.1 Basic earnings per share**

| | | **2018** | 2017 |
|---|---|---|---|
| Profit after taxation | ***Rupees*** | **1,276,527,213** | 454,970,224 |
| Weighted average number of ordinary shares | ***No. of shares*** | **30,000,000** | 30,000,000 |
| Earnings per share | ***Rupees*** | **42.55** | 15.17 |

**37.2 Diluted earnings per share**

There is no dilution effect on the basic earnings per share of the current year as the Group has no such commitments.

## 38 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Group to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Carrying amount | | | Fair value | |
|---|---|---|---|---|---|
| | Investments, loans and receivables | Other financial liabilities | Total | Level 1 | Total |
| **As at 30 June 2018** | ------- | ------- | Rupees | ------- | ------- |
| ***Financial assets - measured at fair value*** | | | | | |
| Long term investment | 2,041,006,604 | - | 2,041,006,604 | 2,041,006,604 | 2,041,006,604 |
| Short term investment | 198,288,000 | - | 198,288,000 | 198,288,000 | 198,288,000 |
| ***Financial assets - not measured at fair value*** | | | | | |
| Long term investment | 21,644,000 | - | 21,644,000 | - | - |
| Long term advance to associates | 1,106,826,351 | - | 1,106,826,351 | - | - |
| Trade debts | 5,237,758,287 | - | 5,237,758,287 | - | - |
| Deposits and other receivables | 30,300,793 | - | 30,300,793 | - | - |
| Mark-up accrued | 81,339,057 | - | 81,339,057 | - | - |
| Bank balances | 117,202,254 | - | 117,202,254 | - | - |
| | 8,834,365,346 | - | 8,834,365,346 | 2,239,294,604 | 2,239,294,604 |
| ***Financial liabilities - not measured at fair value*** | | | | | |
| Long term financing - secured | - | 8,139,468,219 | 8,139,468,219 | - | - |
| Long term musharika - secured | - | 1,069,056,619 | 1,069,056,619 | - | - |
| Current portion of non-current liabilities | - | 2,200,556,658 | 2,200,556,658 | - | - |
| Trade and other payables | - | 2,350,599,463 | 2,350,599,463 | - | - |
| Unclaimed dividend | - | 8,971,945 | 8,971,945 | - | - |
| Short term borrowings - secured | - | 10,728,556,612 | 10,728,556,612 | - | - |
| Accrued mark-up | - | 322,880,239 | 322,880,239 | - | - |
| | - | 24,820,089,755 | 24,820,089,755 | - | - |

| | Carrying amount | | | Fair value | |
|---|---|---|---|---|---|
| | Investments, loans and receivables | Other financial liabilities | Total | Level 1 | Total |
| As at 30 June 2017 | ---------- | ---------- | Rupees | ---------- | ---------- |
| *Financial assets - measured at fair value* | | | | | |
| Long term investment | 2,122,268,904 | - | 2,122,268,904 | 2,122,268,904 | 2,122,268,904 |
| Short term investment | 219,658,800 | - | 219,658,800 | 219,658,800 | 219,658,800 |
| *Financial assets - not measured at fair value* | | | | | |
| Long term investment | 21,644,000 | - | 21,644,000 | - | - |
| Long term advance to associates | 342,548,045 | - | 342,548,045 | - | - |
| Trade debts | 4,619,059,328 | - | 4,619,059,328 | - | - |
| Deposits and other receivables | 108,698,017 | - | 108,698,017 | - | - |
| Mark-up accrued | 27,137,816 | - | 27,137,816 | - | - |
| Bank balances | 127,891,009 | - | 127,891,009 | - | - |
| | 7,588,905,919 | - | 7,588,905,919 | 2,341,927,704 | 2,341,927,704 |
| *Financial liabilities - not measured at fair value* | | | | | |
| Long term financing - *secured* | - | 7,439,660,754 | 7,439,660,754 | - | - |
| Long term musharika - *secured* | - | 889,679,269 | 889,679,269 | - | - |
| Current portion of non-current liabilities | - | 1,993,979,544 | 1,993,979,544 | - | - |
| Trade and other payables | - | 1,641,515,901 | 1,641,515,901 | - | - |
| Unclaimed dividend | - | 7,972,261 | 7,972,261 | - | - |
| Short term borrowings - *secured* | - | 8,940,727,933 | 8,940,727,933 | - | - |
| Accrued mark-up | - | 280,002,402 | 280,002,402 | - | - |
| | - | 21,193,538,064 | 21,193,538,064 | - | - |

**38.1** Fair value of property, plant and equipment except furniture fixtures, office equipment and vehicles is determined by professional valuers (level 3 measurement) based on their assessment of the market values. The valuations are conducted by the valuation expert appointed by the Group. The valuation expert used a market based approach to arrive at the fair value of the Group's property, plant and equipment. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

## 39 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

### 39.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over-sight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group's exposure to financial risk, the way these risks affect the financial position and performance and the manner in which such risks are managed is as follows:

### 39.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Group does not have significant exposure to any individual counterparty. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Most of the customers are also secured, where possible, by way of letters of credit.

Total financial assets of Rs. 8,856.01 million (2017: Rs. 7,610.55 million) are subject to credit risk.

***Exposure to credit risk***

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the statement of financial position date is:

| | **2018** | 2017 |
|---|---|---|
| ***Available for sale*** | **Rupees** | Rupees |
| Long term investments | **2,062,650,604** | 2,143,912,904 |
| ***Held for trading*** | | |
| Short term investment | **198,288,000** | 219,658,800 |

***Loans and receivables***

| | 2018 | 2017 |
|---|---|---|
| Long term investment | **21,644,000** | 21,644,000 |
| Long term advance to associates | **1,106,826,351** | 342,548,045 |
| Trade debts | **5,237,758,287** | 4,619,059,328 |
| Deposits and other receivables | **30,300,793** | 108,698,017 |
| Mark-up accrued, associated companies | **81,339,057** | 27,137,816 |
| Bank balances | **117,202,254** | 127,891,009 |
| | **6,595,070,742** | 5,246,978,215 |
| | **8,856,009,346** | 7,610,549,919 |

***39.2 (a) Other financial assets***

The credit quality of Group's investments can be assessed with reference to external credit rating agencies as follows:

| | Rating | 2018 Rupees | 2017 Rupees |
|---|---|---|---|
| ***Long term investment*** | | | |
| Fatima Fertilizers Company Limited | AA- | **2,041,006,604** | 2,122,268,904 |
| Multan Real Estate (Private) Limited | N/A | **21,644,000** | 21,644,000 |
| ***Short term investment*** | | | |
| Fatima Fertilizers Company Limited | AA- | **198,288,000** | 219,658,800 |
| ***Long term advances*** | | | |
| Pak Arab Energy Limited | AA | **25,904,160** | 25,904,160 |
| Fatima Transmission Company Limited | N/A | **23,320,790** | 11,761,200 |
| Fatima Energy Limited | N/A | **1,057,601,401** | 304,882,685 |
| | | **3,367,764,955** | 2,706,119,749 |

***39.2 (b) Counterparties with external credit rating***

Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Group. Following are the credit ratings of counterparties with external credit ratings:

| Bank | Rating | | Rating agency | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|---|
| | Short term | Long term | | | |
| Allied Bank Limited | A1+ | AAA | PACRA | **1,379,756** | 13,443,921 |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | **2,404,029** | 5,438,486 |
| MCB Bank Limited | A1+ | AAA | PACRA | **51,545,940** | 9,274,090 |
| Meezan Bank Limited | A-1+ | AA+ | JCR-VIS | **100,000** | 28,258,829 |
| UBL Bank Limited | A-1+ | AAA | JCR-VIS | **7,829,170** | 2,930,678 |
| Standard Chartered Bank | | | | | - |
| Pakistan Limited | A-1 | AA- | PACRA | **1,979,268** | 3,861,693 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | **8,698,418** | 12,805,161 |
| Soneri Bank Limited | A1+ | AA- | PACRA | **2,368,027** | 19,879,027 |
| Bank Al Falah Limited | A1+ | AA+ | PACRA | **8,944,199** | 6,991,605 |
| Askari Bank Limited | A1+ | AA+ | PACRA | **1,109,922** | 3,880,850 |
| The Bank of Punjab | A1+ | AA | PACRA | **1,505,871** | 2,350,322 |
| The Bank of Khyber | A1 | A | PACRA | **13,027,911** | 926,866 |
| Bank Al Habib Limited | A1+ | AA+ | PACRA | **425,802** | 1,046,058 |
| Bank Islamic Limited | A1 | A+ | PACRA | **454,034** | 79,930 |
| Dubai Islamic Bank | | | | | - |
| Pakistan Limited | A-1 | AA- | JCR-VIS | **1,810,104** | 6,672,866 |
| Habib Metropolitan | | | | | - |
| Bank Limited | A1+ | AA+ | PACRA | **3,494,401** | 2,032,000 |
| Faysal Bank Limited | A1+ | AA | PACRA | **98,698** | 7,329,670 |
| Samba Bank Limited | A-1 | AA | JCR-VIS | **660** | 3,660 |
| Silk Bank Limited | A-2 | A- | JCR-VIS | **73,295** | 73,296 |
| Summit Bank Limited | A-1 | A- | JCR-VIS | **3,474,940** | 612,001 |
| JS Bank Limited | A1+ | AA- | PACRA | **6,477,809** | - |
| | | | | **117,202,254** | 127,891,009 |

***39.2 (c) Counterparties without external credit rating***

These mainly include customers which are counter parties to trade debts. Out of total trade debts of Rs. 5,327.76 million (2017: Rs. 4,619.06 million), Rs. 3,630.04 million (2017: Rs. 2,241.37 million) are secured. The analysis of ages of trade debts of the Group as at statement of financial position date is as follows :

| | **2018** | 2017 |
|---|---|---|
| | **Rupees** | Rupees |
| Not yet due | **4,925,511,059** | 4,112,578,728 |
| 1 to 30 days | **254,159,478** | 330,442,085 |
| 30 to 150 days | **17,232,078** | 87,787,761 |
| 150 days and above | **40,855,672** | 88,250,754 |
| | **5,237,758,287** | 4,619,059,328 |

Based on past experience the management believes no impairment allowance is necessary in respect of investments, loans, advances, deposits and other receivables past due as some receivables have been recovered subsequent to the year end and for other balances, there are reasonable grounds to believe that the amounts will be recovered in due course.

**39.3 Concentration of credit risk**

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

### 39.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Group is not materially exposed to liquidity risk as substantially all obligations / commitments of the Group are restricted to the extent of available liquidity. In addition, the Group has obtained various short term facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

***Exposure to liquidity risk***

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

| | **Weighted average effective rate of interest** | **2018** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Carrying value** | **Contractual cash flows** | **Less than one month** | **One to three months** | **Three months to one year** | **One to five years** | **Above five years** | **Total** |
| | | **Rupees** | | | | | | | |
| ***Financial liabilities*** | | | | | | | | | |
| Long term financing | **2.50% to 8.21%** | **11,409,081,496** | **11,635,849,640** | **167,793,887** | **396,404,662** | **1,835,862,537** | **7,152,441,156** | **2,083,347,398** | **11,635,849,640** |
| Short term borrowings | **2.55% to 8.36%** | **10,728,556,612** | **10,849,603,904** | **7,665,723,823** | **121,047,291** | **3,062,832,790** | **-** | **-** | **10,849,603,904** |
| Trade and other payables | | **2,350,599,463** | **2,350,599,462** | **317,014,827** | **1,956,049,775** | **77,534,860** | **-** | **-** | **2,350,599,462** |
| Unclaimed dividend | | **8,971,945** | **8,971,945** | **8,971,945** | **-** | **-** | **-** | **-** | **8,971,945** |
| Accrued markup | | **322,880,239** | **322,880,239** | **322,880,239** | **-** | **-** | **-** | **-** | **322,880,239** |
| | | **24,820,089,755** | **25,167,905,190** | **8,482,384,721** | **2,473,501,728** | **4,976,230,187** | **7,152,441,156** | **2,083,347,398** | **25,167,905,190** |

| | Weighted average effective rate of interest | 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Carrying value | Contractual cash flows | Less than one month | One to three months | Three months to one year | One to five years | Above five years | Total |
| | | Rupees | | | | | | | |
| *Financial liabilities* | | | | | | | | | |
| Long term financing | 2.50% to 12.70% | 10,323,319,567 | 11,962,773,139 | 155,063,204 | 374,665,948 | 2,027,173,924 | 7,753,020,597 | 1,652,849,466 | 11,962,773,139 |
| Short term borrowings | 0.80% to 7.79% | 8,940,727,933 | 9,391,548,413 | 4,632,655,795 | 2,968,074,409 | 1,790,818,209 | - | - | 9,391,548,413 |
| Trade and other payables | | 1,641,515,901 | 1,641,515,901 | 343,738,836 | 1,014,661,109 | 283,115,956 | - | - | 1,641,515,901 |
| Unclaimed dividend | | 7,972,261 | 7,972,261 | 7,972,261 | - | - | - | - | 7,972,261 |
| Accrued markup | | 280,002,402 | 280,002,402 | 280,002,402 | - | - | - | - | 280,002,402 |
| | | 21,193,538,064 | 23,283,812,116 | 5,419,432,498 | 4,357,401,466 | 4,101,108,089 | 7,753,020,597 | 1,652,849,466 | 23,283,812,116 |

It is not expected that the cash flows on the maturity analysis could occur significantly earlier, or at significant different amount

## 39.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. Market risk comprises of currency risk, interest rate risk and other price risk.

### 39.5.1 Currency risk

Pakistani Rupee is the functional currency of the Group and exposure arises from transactions and balances in currencies other than Pakistani Rupee as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Group's potential currency exposure comprises of:

– Transactional exposure in respect of non functional currency monetary items.

– Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

***Transactional exposure in respect of non functional currency monetary items***

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Group are periodically restated to rupee equivalent, and the associated gain or loss is taken to the consolidated statement of profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

***Transactional exposure in respect of non functional currency expenditure and revenues***

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Group are periodically restated to rupee equivalent, and the associated gain or loss is taken to the consolidated statement of profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

***Exposure to currency risk***

The Group’s exposure to foreign currency risk at the consolidated statement of financial position date is as follows:

| | **2018 Rupees** | 2017 Rupees |
|---|---|---|
| ***Consolidated statement of financial position items*** | | |
| Export finances | **-** | 2,892,015,524 |
| Finance against imported merchandise | **208,206,806** | - |
| Foreign debtors | **(3,630,040,600)** | (2,241,365,975) |
| Gross statement of financial position exposure | **(3,421,833,794)** | 650,649,549 |
| ***Off consolidated statement of financial position items*** | | |
| Outstanding letters of credit | **2,474,085,692** | 2,054,432,195 |
| Net exposure | **(947,748,102)** | 2,705,081,744 |

The following significant exchange rate has been applied:

Average and spot rate

| | Average rate | | Spot rate | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | ------------ **Rupees** ------------ | | ------------ **Rupees** ------------ | |
| USD to Rupee | **109.86** | 104.90 | **121.15** | 104.80 |

***Sensitivity analysis:***

At statement of financial position date, if the PKR had strengthened by 10.00% against the foreign currencies with all other variables held constant, profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of export finances and foreign debtors.

| ***Effect on consolidated statement of profit or loss*** | **2018** **Rupees** | 2017 Rupees |
|---|---|---|
| USD to Rupee | **(94,774,810)** | 270,508,174 |

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / (loss) for the year and assets / liabilities of the Group.

***Currency risk management***

Since the maximum amount exposed to currency risk is only -1.53% (2017: 6.91%) of the Group's total assets, any adverse / favorable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

**39.5.2 Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Group's significant interest bearing financial instruments is as follows:

| | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|
| ***39.5.2 (a) Financial Instruments*** | **Effective rate (in Percentage)** | | **Carrying amount (Rupees)** | |
| ***Financial liabilities*** | | | | |
| *Fixed rate instruments:* | | | | |
| Long term loan | **2.50 - 3.25** | 2.50 - 3.75 | **2,397,460,479** | 2,044,816,378 |
| *Variable rate instruments:* | | | | |
| Long term loan | **6.65 - 8.21** | 6.65 - 8.62 | **9,011,621,017** | 8,278,503,189 |
| Short term running finance | **2.55 - 8.36** | 6.13 - 7.79 | **10,728,556,612** | 6,048,712,409 |
| Export finances | **-** | 0.80 - 3.73 | **-** | 2,892,015,524 |
| ***Financial assets*** | | | | |
| *Variable rate instruments:* | | | | |
| Saving accounts | **0.49 - 4.44** | 2.87 - 6.19 | **452,668** | 19,709 |

***39.5.2 (b) Fair value sensitivity analysis for fixed rate instruments***

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

***39.5.2 (c) Cash flow sensitivity analysis for variable rate instruments***

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or (loss) for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Profit or loss | |
|---|---|---|
| | **100 bps Increase** | 100 bps Decrease |
| | -------- **Rupees** -------- | |
| **As at 30 June 2018** | **197,397,250** | **(197,397,250)** |
| As at 30 June 2017 | 172,192,311 | (172,192,311) |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/ (loss) for the year and assets / liabilities of the Group.

***39.5.2 (d) Interest rate risk management***

The Group manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Group's significant borrowings are based on variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

**39.5.3 Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to equity price risk because of investments held by the Group and classified on the consolidated statement of financial position at fair value through profit or loss and available for sale. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee.

***Sensitivity analysis***

The table below summarizes the Group’s equity price risk as of 30 June 2018 and 2017 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Group’s equity investment portfolio.

| | 2018 | | | |
|---|---|---|---|---|
| | **Fair value** | **“Hypothetical price change”** | **Estimated fair value after hypothetical change in prices”** | **“Hypothetical increase / (decrease) in profit or (loss) / equity”** |
| | **-----------------------Rupees-----------------------** | | | |
| Financial assets at fair value through profit or loss | **198,288,000** | **10% increase** | **218,116,800** | **19,828,800** |
| | | **10% decrease** | **178,459,200** | **(19,828,800)** |
| Financial assets at fair value at available for sale | **2,041,006,604** | **10% increase** | **2,245,107,264** | **204,100,660** |
| | | **10% decrease** | **1,836,905,944** | **(204,100,660)** |
| | **2,239,294,604** | | | |

| | 2017 | | | |
|---|---|---|---|---|
| | Fair value | “Hypothetical price change” | Estimated fair value after hypothetical change in prices” | “Hypothetical increase (decrease) in profit or (loss) / equity” |
| | -----------------------Rupees----------------------- | | | |
| Financial assets at fair value through profit or loss | 219,658,800 | 10% increase | 241,624,680 | 21,965,880 |
| | | 10% decrease | 197,692,920 | (21,965,880) |
| Financial assets at fair value at available for sale | 2,122,268,904 | 10% increase | 2,334,495,794 | 212,226,890 |
| | | 10% decrease | 1,910,042,014 | (212,226,890) |
| | 2,341,927,704 | | | |

### 39.5.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group’s operations.

The Group’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Group. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements

- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

**40 Capital management**

The Board of Directors' policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

**i)** to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

**ii)** to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio - calculated as a ratio of total debt to capital employed.

**40.1** Gearing ratio as at 30 June 2018 and as at 30 June 2017 are as follows:

| | **2018** | 2017 |
|---|---|---|
| | **Rupees** | Rupees |
| | | *Restated* |
| Total debt | **22,137,638,108** | 19,264,047,500 |
| Total equity including revaluation surplus | **20,783,087,039** | 15,834,734,401 |
| Total capital employed | **42,920,725,147** | 35,098,781,901 |
| Gearing | **52%** | 55% |

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements, commonly imposed by the providers of debt finance. Decrease in gearing ratio is mainly due to increase in revaluation surplus on property, plant and equipment as detailed in note 7 of these consolidated financial statements.

**40.2 Financial instruments by categories**

| | Financial assets | |
|---|---|---|
| | **2018** | 2017 |
| | **Rupees** | Rupees |
| ***Loans and receivables*** | | |
| Trade debts | **5,237,758,287** | 4,619,059,328 |
| Deposits and other receivables | **30,300,793** | 108,698,017 |
| Mark-up accrued | **81,339,057** | 27,137,816 |
| Bank balances | **117,202,254** | 127,891,009 |
| | **5,466,600,391** | 4,882,786,170 |
| ***Available for sale*** | | |
| Long term investments | **2,062,650,604** | 2,143,912,904 |
| ***Held for trading*** | | |
| Short term investment | **198,288,000** | 219,658,800 |

| | Financial liabilities at amortized cost | |
|---|---|---|
| | **2018** | 2017 |
| | **Rupees** | Rupees |
| Long term finances - *secured* | **9,208,524,838** | 8,329,340,023 |
| Current portion of non-current liabilities | **2,200,556,658** | 1,993,979,544 |
| Trade and other payables | **2,350,599,463** | 1,641,515,901 |
| Unclaimed dividend | **8,971,945** | 7,972,261 |
| Short term borrowings - secured | **10,728,556,612** | 8,940,727,933 |
| Accrued mark-up | **322,880,239** | 280,002,402 |
| | **24,820,089,755** | 21,193,538,064 |

## 41 Reconciliation of movement of liabilities to cash flows arising from financing activities

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Long term financing | Long term musharika | Short term borrowing | Unclaimed dividend | Accrued markup | Total |
| | ---------- | ---------- | ---------- Rupees | ---------- | ---------- | ---------- |
| **Balance at 01 July 2017** | 9,088,017,648 | 1,235,301,919 | 8,940,727,933 | 7,972,261 | 280,002,402 | **19,552,022,163** |
| ***Changes from financing cash flows*** | | | | | | |
| Proceeds from short term borrowings - net | - | - | 1,787,828,679 | - | - | **1,787,828,679** |
| Financial charges paid - net | - | - | - | - | (1,319,720,472) | **(1,319,720,472)** |
| Proceeds from long term financing - net | 2,533,887,998 | 500,000,000 | - | - | | **3,033,887,998** |
| Others | - | - | - | 157,500,000 | | |
| **Total changes from financing cash flows** | **11,621,905,646** | **1,735,301,919** | **10,728,556,612** | **165,472,261** | **(1,039,718,070)** | **23,054,018,368** |
| ***Other changes*** | | | | | | |
| Change in short term running finances | - | - | - | - | - | **-** |
| Long term financing repaid | (1,602,503,419) | (345,622,650) | - | - | - | **(1,948,126,069)** |
| Interest expense | - | - | - | - | 1,362,598,309 | **1,362,598,309** |
| Others | - | - | - | (156,500,316) | - | **(156,500,316)** |
| **Total liability related other changes** | **(1,602,503,419)** | **(345,622,650)** | **-** | **(156,500,316)** | **1,362,598,309** | **(742,028,076)** |
| **Balance at 30 June 2018** | **10,019,402,227** | **1,389,679,269** | **10,728,556,612** | **8,971,945** | **322,880,239** | **22,311,990,292** |

## 42 Remuneration of Chief Executive Officer, Directors, Non-Executive Directors and Executives

The aggregate amounts charged in the accounts for the year for remuneration, including all benefits to the Chief Executive Officer and Directors and Executives of the Group are as follows:

| | 2018 | | | | | 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Chief Executive Officer** | **Non-Executive Directors** | **Executive Director** | **Executives** | **Total** | Chief Executive Officer | Non-Executive Directors | Executive Director | Executives | Total |
| | **Rupees** | | | | | Rupees | | | | |
| | | | | | | | | | *Restated* | |
| Managerial remuneration | **4,879,211** | **8,201,188** | **6,322,016** | **16,369,605** | **35,772,020** | 4,741,512 | 9,635,811 | 4,741,512 | 12,014,086 | 31,132,921 |
| House rent and utilities | **1,198,650** | **1,984,390** | **1,580,512** | **3,273,921** | **8,037,473** | 1,439,327 | 2,856,065 | 1,185,384 | 2,402,818 | 7,883,594 |
| Medical | **138,049** | **-** | **-** | **1,636,960** | **1,775,009** | 135,893 | - | - | 1,201,409 | 1,337,302 |
| Conveyance / petrol | **-** | **-** | **-** | **66,000** | **66,000** | - | - | - | 54,000 | 54,000 |
| Insurance | **5,474** | **2,665** | **-** | **-** | **8,139** | 5,461 | - | - | - | 5,461 |
| | **6,221,384** | **10,188,243** | **7,902,528** | **21,346,486** | **45,658,641** | 6,322,193 | 12,491,876 | 5,926,896 | 15,672,313 | 40,413,278 |
| Numbers | **1** | **2** | **1** | **11** | **15** | 1 | 2 | 1 | 9 | 13 |

**42.1** In addition to above, only Non-Executive Directors were paid Nil (2017: Rs. 0.15 million) as meeting fee.

**42.2** Chief Executive Officer, directors and some of the executives are also provided with Group maintained cars and telephones at their residences for the Group's business purposes.

**42.3** These include Rs. 1.49 million (2017: Rs. 1.21 million) in respect of staff retirement benefits.

**42.4** Comparative figures has been changed to reflect the changes in definition of 'executive' as per Companies act 2017.

## 43 Number of employees

| | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|
| | (Number) | | (Number) | |
| | **Production** | | **Non - Production** | |
| Total number of employees as at 30 June | **5,505** | 5,380 | **213** | 199 |
| Average number of employees during the year | **5,443** | 5,415 | **206** | 192 |

## 44 Related party transactions and balances

The related parties comprise of associated companies, directors of the Group and entities under common directorship, key management personnel and post employment retirement plan. Amount due from and due to related parties are shown under respective notes. Other significant transactions and balances with related parties except those disclosed elsewhere are as follows:

| | Name of parties | Relationship | Basis of Relationship | 2018 Rupees | 2017 Rupees |
|---|---|---|---|---|---|
| a) | **Fazal Rehman Fabrics Limited** | Related party | Common Directorship | | |
| | Sale of goods and services - *net* | | | **2,146,788,110** | 1,329,473,109 |
| | Purchase of goods and services | | | **131,640,137** | 133,460,411 |
| | Receipts against sale of goods and services - *net* | | | **1,821,540,983** | 947,457,506 |
| | Freight and other charges incurred | | | **-** | 4,000 |
| b) | **Fatima Fertilizer Company Limited** | Related party | Common Directorship and 3.29 % (2017: 3.30%) of shareholding in associate | | |
| | Dividend Income | | | **156,406,569** | 229,920,601 |
| | Purchase / adjustment of goods and services - net | | | **-** | 5,598,811 |
| | Reimbersable expenses | | | **3,616,897** | - |
| c) | **Fatima Energy Limited** | Related party | Common Directorship and 24.11 % (2017: 24.24%) of shareholding in associate | | |
| | Long term advance | | | **752,718,716** | 304,882,685 |
| | Mark-up accrued on advance | | | **47,111,942** | 5,468,658 |
| | Purchase of goods and services | | | **12,690,109** | 990,016 |
| | Payments against purchase of goods and services-net | | | **6,152,588** | 4,831,935 |
| d) | **Fatimafert Limited** | Related party | Common Directorship | | |
| | Sale of goods and services | | | **4,414,554** | - |
| e) | **Reliance Weaving Mills Limited** | Related party | Common Directorship | | |
| | Sale of goods and services | | | **24,361,706** | 26,052,614 |
| | Purchase of goods and services | | | **1,490,000** | 5,979,733 |
| | Receipts against sale of goods and services - net | | | **23,134,688** | 23,393,787 |

| | | | | | |
|---|---|---|---|---|---|
| f) | **Ahmed Fine Textile Mills Limited** | Related party | Common Directorship | | |
| | Sale of goods and services | | | **25,535,479** | 26,373,283 |
| | Purchase of goods and services | | | **592,965,561** | 394,873,086 |
| | Payment against sale of goods and services - net | | | **495,967,704** | 374,195,704 |
| g) | **Fazal-ur-Rehman Foundation, Multan** | Related party | Common Directorship | | |
| | Donations | | | **3,784,412** | 3,163,300 |
| i) | **Hussain Ginneries Limited** | Related party | Common Directorship | | |
| | Expenses incurred on behalf of associate | | | **11,901,194** | 7,102,798 |
| | Receipts against expenses | | | **10,937,500** | 6,188,500 |
| j) | **Fatima Transmission Company Limited** | Related party | Common Directorship | | |
| | Long term advance | | | **11,559,590** | 11,761,200 |
| | Mark-up accrued on long term advance | | | **1,464,889** | 1,945,323 |
| k) | **Fatima Electric Company Limited** | Related party | Common Directorship and 20.00% (2017:20.00%) shareholding in associate | | |
| | Investment made | | | **-** | 70,000 |
| | **Pak Arab Energy** | Related party | | | |
| | Advance for purchase of shares | | | **-** | 25,904,160 |
| | Mark-up accrued on advance for purchase of shares | | | **2,045,150** | 315,570 |

All transactions with related parties have been carried out on commercial terms and conditions.

## 45 Segment reporting

### 45.1 Reportable segments

The management has determined the operating segments of the Group on the basis of products produced.

The Group's reportable segments are as follows:

- Spinning segment - production of different qualities of yarn using natural and artificial fibers
- Weaving segment - production of different qualities of Fabric using yarn

Information regarding the Group's reportable segments is presented below. Performance is measured based on segment profit before tax, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other companies that operate within these industries.

### 45.2 Information about reportable segments

| | Spinning | | Weaving | | Total | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | ---------- Rupees ---------- | | | | | |
| External revenues | **27,599,849,115** | 24,547,616,743 | **5,745,339,652** | 5,597,996,803 | **33,345,188,767** | 30,145,613,546 |
| Intersegment revenues | **2,440,201,793** | 2,447,438,933 | **-** | - | **2,440,201,793** | 2,447,438,933 |
| Cost of sales | **(26,914,468,081)** | (25,173,611,617) | **(2,922,130,722)** | (2,773,954,355) | **(29,836,598,803)** | (27,947,565,972) |
| Intersegment cost of sales | **-** | - | **(2,440,201,793)** | (2,447,438,933) | **(2,440,201,793)** | (2,447,438,933) |
| Selling and distribution expense | **(471,375,516)** | (410,733,424) | **(103,349,300)** | (95,530,841) | **(574,724,816)** | (506,264,265) |
| Administrative expenses | **(303,744,616)** | (249,219,445) | **(31,398,834)** | (25,205,688) | **(335,143,450)** | (274,425,133) |
| Other operating expense | **(130,295,434)** | (39,077,668) | **(10,955,158)** | (6,404,672) | **(141,250,592)** | (45,482,340) |
| Other operating income | **420,964,737** | 415,940,602 | **63,693,508** | (548,008) | **484,658,245** | 415,392,594 |
| Finance cost | **(1,257,288,085)** | (906,599,754) | **(105,310,224)** | (147,902,821) | **(1,362,598,309)** | (1,054,502,575) |
| Profit before tax | **1,383,843,913** | 631,754,370 | **195,687,129** | 101,011,485 | **1,579,531,042** | 732,765,855 |

**45.2.1** The accounting policies for disclosure of the reportable segments are the same as the Group's accounting policies described in note 4.23 to the financial statements. Expenditures are allocated on the basis of actual amounts incurred for the segments. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

**45.2.2 Reconciliation of reportable segment revenues and profits**

| | 2018<br>Rupees | 2017<br>Rupees |
|---|---|---|
| Total revenue from reportable segments | **35,785,390,560** | 32,593,052,479 |
| Elimination of inter segment revenue | **(2,440,201,793)** | (2,447,438,933) |
| | **33,345,188,767** | 30,145,613,546 |
| **Consolidated statement of profit or loss** | | |
| Total profit of reportable segments | **1,579,531,042** | 732,765,855 |
| Share of loss from associates - *net* | **(44,781,455)** | (24,121,009) |
| Taxation for the year | **(258,222,374)** | (253,674,622) |
| | **1,276,527,213** | 454,970,224 |

**45.3 Segment assets and liabilities**

**45.3.1** Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

| | Spinning | Weaving | Total |
|---|---|---|---|
| | Rupees | | |
| **For the year ended 30 June 2018:** | | | |
| Segment assets for reportable segment | **38,085,193,727** | **4,949,745,205** | **43,034,938,932** |
| Unallocated corporate assets | | | **5,547,002,250** |
| **Total assets as per consolidated statement of financial position** | | | **48,581,941,182** |
| Segment liabilities for reportable segment | **23,787,963,665** | **1,809,573,814** | **25,597,537,479** |
| Unallocated corporate liabilities | | | **2,201,316,664** |
| **Total liabilities as per consolidated statement of financial position** | | | **27,798,854,143** |

For the year ended 30 June 2017:

| | | | |
|---|---|---|---|
| Segment assets for reportable segment | 30,180,605,875 | 4,556,471,557 | 34,737,077,432 |
| Unallocated corporate assets | | | 4,935,415,167 |
| Total assets as per consolidated statement of financial position | | | 39,672,492,599 |
| Segment liabilities for reportable segment | 19,498,184,581 | 2,282,856,964 | 21,781,041,545 |
| Unallocated corporate liabilities | | | 2,056,716,653 |
| Total liabilities as per consolidated statement of financial position | | | 23,837,758,198 |

For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments except long term investment, long term advances to associates and tax refund due from government which are held under unallocated corporate assets; and

- all liabilities are allocated to reportable segments except deferred tax liability is held under unallocated corporate liabilities

**Other segment information**

| | Spinning | Weaving | Total |
|---|---|---|---|
| | ------------------- | Rupees | ------------------- |
| **For the year ended 30 June 2018** | | | |
| Capital expenditure | **1,611,216,824** | **26,774,891** | **1,637,991,715** |
| ***Depreciation / amortisation*** | | | |
| Cost of sales | **830,354,571** | **166,600,698** | **996,955,269** |
| Administrative expenses | **21,115,551** | **3,328,879** | **24,444,430** |
| | **851,470,122** | **169,929,577** | **1,021,399,699** |
| For the year ended 30 June 2017 | | | |
| Capital expenditure | 1,897,392,216 | 111,422,826 | 2,008,815,042 |
| *Depreciation / amortisation* | | | |
| Cost of sales | 722,487,458 | 169,442,948 | 891,930,406 |
| Administrative expenses | 17,217,639 | 3,238,599 | 20,456,238 |
| | 739,705,097 | 172,681,547 | 912,386,644 |

## 46 Geographical information

The Group operates in one principal geographical area. The Group's gross revenue from external customers by geographical location is detailed below:

| | Note | **2018 Rupees** | 2017 Rupees |
|---|---|---|---|
| Domestic Sales | *28* | **20,386,037,145** | 18,776,454,348 |
| Export Sales | *46.1* | **12,959,151,622** | 11,369,159,198 |
| | | **33,345,188,767** | 30,145,613,546 |

**46.1** Country wise export sales are as under

| | | |
|---|---|---|
| China | **6,953,633,184** | 4,963,962,188 |
| United States of America | **1,020,606,120** | 1,140,417,308 |
| Portugal | **692,895,117** | 774,508,018 |
| Turkey | **683,225,693** | 805,262,605 |
| Hong Kong | **709,002,916** | 1,019,405,942 |
| Germany | **360,845,895** | 364,089,897 |
| Singapore | **358,165,190** | 397,445,802 |
| Italy | **338,485,475** | 92,917,381 |
| Bangladesh | **329,332,516** | 468,443,302 |
| Belgium | **223,651,275** | 113,434,938 |
| Poland | **224,164,236** | 123,532,234 |
| Colombia | **177,163,134** | 31,132,494 |
| Korea | **155,853,507** | 93,909,623 |
| Others | **732,127,364** | 980,697,466 |
| | **12,959,151,622** | 11,369,159,198 |

**46.1.1** All export sales during the year are secured against letter of credit.

## 47 Capacity and production

| | | **2018** | 2017 |
|---|---|---|---|
| **Spinning:** | | | |
| Number of spindles installed | | **237,156** | 232,296 |
| Number of rotors and VS spindles installed | | **3,132** | 2,604 |
| *Number of shifts worked* | | | |
| Unit I, II and IV | | **1,094** | 1,094 |
| Unit III | | **1,094** | 1,094 |
| Subsidiary | | **1,094** | 1,094 |
| Number of spindles - *shifts worked* | | **259,448,664** | 254,167,103 |
| Capacity at 20's count | *Kgs.* | **100,615,809** | 94,373,516 |
| Actual production of all counts | *Kgs.* | **90,500,289** | 85,308,103 |
| Actual production converted into 20's count | *Kgs.* | **101,339,903** | 91,090,442 |

**Weaving:**

| | | | |
|---|---|---|---|
| Number of looms installed | | **224** | 224 |
| Number of looms worked | | **224** | 224 |
| Number of shifts worked | | **1,094** | 1,094 |
| Standard cloth production | Mtr. | **46,502,793** | 47,063,507 |
| Actual cloth production | Mtr. | **42,604,464** | 43,576,101 |

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

**48 Non adjusting event after consolidated statement of financial position date**

The Board of Directors of the Holding Company in their meeting held on October 04, 2018 has proposed a final cash dividend of Rs. 8.50 per share (2017: Rs. 5.25 per share) for the year ended 30 June 2018 held for approval of the members in the Annual General Meeting to be held on October 27, 2018. These financial statements do not include the effect of this proposed final cash dividend and will be accounted for subsequent to year end.

**49 Corresponding figures**

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of the consolidated financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017.

**50 Date of authorization of financial statements**

These financial statements were authorized for issue on October 04, 2018 by the Board of Directors of the Holding Company.

**51 General**

Figures have been rounded off to the nearest Rupee, except stated otherwise.

| (SHEIKH NASEEM AHMAD) | (REHMAN NASEEM) | (MUHAMMAD AZAM) |
|---|---|---|
| CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER |

# Pattern of Shareholding
## As on: June 30, 2018

| No. of ShareHolders | Shareholding From - | To | No. of Share Held | % |
|---|---|---|---|---|
| 705 | 1 - | 100 | | 0.05 |
| 341 | 101 - | 500 | 14,895 | 0.30 |
| 112 | 501 - | 1000 | 91,055 | 0.28 |
| 117 | 1001 - | 5000 | 83,304 | 0.83 |
| 27 | 5001 - | 10000 | 250,034 | 0.62 |
| 6 | 10001 - | 15000 | 184,969 | 0.22 |
| 3 | 15001 - | 20000 | 66,863 | 0.17 |
| 1 | 25001 - | 30000 | 51,296 | 0.08 |
| 3 | 40001 - | 45000 | 25,384 | 0.44 |
| 1 | 45001 - | 50000 | 132,368 | 0.16 |
| 1 | 55001 - | 60000 | 47,130 | 0.20 |
| 1 | 80001 - | 85000 | 59,804 | 0.28 |
| 1 | 130001 - | 135000 | 82,828 | 0.44 |
| 1 | 160001 - | 165000 | 131,191 | 0.54 |
| 1 | 315001 - | 320000 | 161,680 | 1.07 |
| 3 | 535001 - | 540000 | 320,000 | 5.35 |
| 3 | 670001 - | 675000 | 1,605,037 | 6.75 |
| 2 | 1010001 - | 1015000 | 2,024,102 | 6.74 |
| 1 | 1175001 - | 1180000 | 2,022,355 | 3.92 |
| 1 | 1305001 - | 1310000 | 1,176,847 | 4.36 |
| 2 | 1420001 - | 1425000 | 1,306,976 | 9.48 |
| 1 | 1765001 - | 1770000 | 2,843,277 | 5.89 |
| 2 | 1995001 - | 2000000 | 1,768,488 | 13.31 |
| 1 | 2415001 - | 2420000 | 3,993,810 | 8.05 |
| 1 | 3100001 - | 3105000 | 2,415,422 | 10.34 |
| 1 | 6035001 - | 6040000 | 3,101,320 | 20.13 |
| **1,339** | | | 6,039,565 **30,000,000** | **100.00** |
| | | | | |
| | | | | |

| Category | No Of Share Holders | Shares Held | % |
|---|---|---|---|
| Director, Spouses & Children | 14 | 14,755,507 | 49.185 |
| Associated Companies, Related Parties | 6 | 12,011,723 | 40.039 |
| Banks, Financial Inst. & Funds | 7 | 165,790 | 0.553 |
| Mudaraba and Mutual Funds | 5 | 1,787,302 | 5.958 |
| Others | 12 | 71,019 | 0.237 |
| Individual | 1,295 | 1,208,659 | 4.029 |
| **TOTAL** | **1,339** | **30,000,000** | **100.00** |

**Fazal Cloth Mills Limited**
**Categories Detail**
**As On :30-June-2018**

| Catagory Name | | | Shares Held | % |
|---|---|---|---|---|
| **Directors, Spouses & Minor Children** | | | | |
| 1 | SHEIKH NASEEM AHMAD | (CEO / Director) | 8,820 | 0.029 |
| 2 | REHMAN NASEEM | (Chairman / Director) | 3,101,320 | 10.338 |
| 3 | FAZAL AHMED SHEIKH | | 2,041,611 | 6.805 |
| 4 | FAISAL AHMED | | 2,039,865 | 6.800 |
| 5 | AMIR NASEEM SHEIKH | | 82,828 | 0.276 |
| 6 | FAHAD MUKHTAR | | 579,715 | 1.932 |
| 7 | MAHNAZ AMIR SHEIKH | | 4,447 | 0.015 |
| 8 | MUHAMMAD YOUSAF AMIR S/O | AMIR NASEEM SHEIKH | 1,421,638 | 4.739 |
| 9 | ABDULLAH AMIR FAZAL S/O | AMIR NASEEM SHEIKH | 1,421,639 | 4.739 |
| 10 | MUHAMMAD MUKHTAR SHEIKH S/O | FAZAL AHMAD SHEIKH | 1,012,969 | 3.377 |
| 11 | ASAD MUHAMMAD SHEIKH S/O | FAZAL AHMAD SHEIKH | 1,012,970 | 3.377 |
| 12 | MUHAMMAD FAZEEL MUKHTAR S/O | FAISAL AHMED | 675,895 | 2.253 |
| 13 | IBRAHIM MUKHTAR S/O | FAISAL AHMED | 675,895 | 2.253 |
| 14 | MOHID MUHAMMAD AHMED S/O | FAISAL AHMED | 675,895 | 2.253 |
| | | | **14,755,507** | **49.185** |
| **Associated Companies, Undertakings and Related Parties** | | | | |
| 1 | FAZAL HOLDINGS PVT LTD | | 7,346,541 | 24.488 |
| 2 | RELIANCE COMMODITIES (PVT) LTD | | 500 | 0.002 |
| 3 | FAWAD AHMED MUKHTAR S/O | SHEIKH MUKHTAR AHMAD | 2,415,422 | 8.051 |
| 4 | ALI MUKHTAR S/O | (Fawad Ahmad Mukhtar) | 536,207 | 1.787 |
| 5 | ABBAS MUKHTAR S/O | (Fawad Ahmad Mukhtar) | 536,206 | 1.787 |
| 6 | FATIMA HOLDING LTD | | 1,176,847 | 3.923 |
| **Executives** | | | **12,011,723** | 40.039 |
| **Investment Bank / Co., NIT & ICP, Financial Institutions & Funds** | | | | |
| 1 | INDUSTRIAL DEVELOPMENT BANK OF PAIKSTAN(IDBP) | | 613 | 0.002 |
| 2 | M/S. UNITED BANK LIMITED | | 788 | 0.003 |
| 3 | IDBL (ICP UNIT) | | 1,141 | 0.004 |
| 4 | NATIONAL BANK OF PAKISTAN | | 993 | 0.003 |
| 5 | ESCORTS INVESTMENT BANK LIMITED | | 196 | 0.001 |
| 6 | THE TRUSTEE, GHULAMAN-E-ABBAS EDUCATIONAL & MEDICAL TRUST | | 379 | 0.001 |
| 7 | TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND | | 161,680 | 0.539 |
| | | | **165,790** | **0.553** |
| **Mudaraba & Mutual Funds** | | | | |
| 1 | TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST | | 5,673 | 0.019 |
| 2 | GOLDEN ARROW SELECTED STOCKS FUND LIMITED | | 12,406 | 0.041 |
| 3 | CDC - TRUSTEE AKD OPPORTUNITY FUND | | 600 | 0.002 |
| 4 | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | | 1,768,488 | 5.895 |
| 5 | MOLASSES TRADING & EXPORT CO. LTD. | | 135 | 0.000 |
| | | | **1,787,302** | **5.958** |
| **Others holdings** | | | | |
| 1 | THE DEPUTY ADMINISTRATOR (APO) | | 1,078 | 0.004 |
| 2 | DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION | | 47,130 | 0.157 |
| 3 | M/S. FREEDOM ENTERPRISES (PVT) LTD | | 6,309 | 0.021 |
| 4 | FAZAL VEGETABLE GHEE MILLS LTD | | 7,689 | 0.026 |
| 5 | M/S. FATEH TEXTILE MILLS LIMITED | | 258 | 0.001 |
| 6 | MRA SECURITIES LIMITED- MF | | 6,000 | 0.020 |
| 7 | M/S. NAEEMS SECURITIES LIMITED | | 763 | 0.003 |
| 8 | SARFRAZ MAHMOOD (PRIVATE) LTD | | 72 | 0.000 |
| 9 | H M INVESTMENTS (PVT) LIMITED | | 45 | 0.000 |
| 10 | AKRAM COTTON MILLS LIMITED | | 6 | 0.000 |
| 11 | MAPLE LEAF CAPITAL LIMITED | | 1 | 0.000 |
| 12 | FIKREES (SMC-PVT) LTD. | | 1,668 | 0.006 |
| | | | **71,019** | **0.237** |
| **Individual** | | | **1,208,659** | **4.029** |
| | **TOTAL** | | **30,000,000** | **100.000** |

**Shareholders Five Percent (5%) or Above**

| | % |
|---|---|
| FAZAL HOLDINGS PVT LTD | 24.488 |
| REHMAN NASEEM | 10.338 |
| FAWAD AHMED MUKHTAR | 8.051 |
| FAZAL AHMED SHEIKH | 6.805 |
| FAISAL AHMED MUKHTAR | 6.800 |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 5.895 |

# Investors' Education

In Compliance with the Securities and Exchange Commission of Pakistan's SRO 924 (1) / 2015
dated September 09, 2015, Investors' attention is invited
to the following information message

# Investors' Education

In Compliance with the Securities and Exchange Commission of Pakistan's SRO 924 (1) / 2015
dated September 09, 2015, Investors' attention is invited
to the following information message

**Consent Form For Transmission Of Annual Audited Financial Statements Along-With Notice Of AGM Through E-Mail.**

Date:__________________
Manager Shares,
Fazal Cloth Mills Limited,
Vision Consulting Limited,
3-C, LDA Flats Lawrence Road,
Lahore.042-36283096-97
Shares@vcl.com.pk

**Subject: Consent For Transmission Of Annual Audited Financial Statements Along With Notice Of Annual General Meeting Through E-Mail**

Dear Sir,

I hereby instruct the company M/s Fazal Cloth Mills Limited to send me the Company's Annual Balance Sheet and Profit and Loss Account, Auditors' Report and Directors' Report thereon along-with notice of Annual General Meeting (AGM) (Audited Annual Financial Statements) at my email address as per detail given below:

Sincerely

Signature of Shareholder: ______________________________
Folio # / CDC account No: ______________________________
Name of Shareholder: ______________________________
Valid e-mail Address: ______________________________
Contact No. : ______________________________
CNIC No. : ______________________________

# FORM OF PROXY

I/WE ______________________________________________

Of ______________________________________________

Being a member of FAZAL CLOTH MILLS LIMITED, hereby appoint ____________________

______________________________________________

(NAME)

Of__________________ another member of the Company or failing ____________________

Him ______________________________________________

(NAME)

Of ______________________________________________

(being a member of the Company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf, at the 53 th Annual General Meeting of the Company to be held on Saturday, the 27 th October, 2018 at E-110, Khayaban-e-Jinnah, Lahore cantt, lahore. at 11:00 am or at any adjournment thereof. As witness my hand this ________________day of October, 2018.

Affix
Revenue
Stamp
Rs. 5.00

________________________ (Witness Signature) ________________________ (Witness Signature)

**Name:** ____________________ **Folio #** ____________________

**Address:** ____________________ **CDC A/C #** ____________________

**CNIC No.** ____________________ **CNIC #** ____________________

**NOTES:**

1. This form of proxy duly completed must be deposited at the Company's Shares Department at 129/1 Old Bahawalpur Road, Multan or Company's Shares Registrar VISION CONSULTING LIMITED, 3-C, LDA Flats, Lawrence Road, LAHORE not later than 48 hours before the time of meeting.
2. 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 Proxy must enclose an attested copy of his/her CNIC or Passport, Representatives of corporate members should bring the usual documents required for such purpose.

پراکسی فارم
53 واں سالانہ عمومی اجلاس

# فضل کلاتھ ملز لمیٹڈ

میں / ہم ............................................................................................................................................

ساکن .................................................................. بطور ممبر (ز) فضل کلاتھ ملز لمیٹڈ ..................................................................

حامل ....................................... عام حصص، محترم / محترمہ ..........................................................................

ساکن ....................................... یا ان کے حاضر نہ ہو سکنے کی صورت میں ..........................................................................

ساکن ............................................................................ کو اپنے / ہمارے اپنا / ہمارا کمپنی کے مورخہ 27 اکتوبر 2018 بروز ہفتہ کو ہونے والے یا کسی بھی التوا کی صورت میں 53 سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا / ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

بطور گواہ آج .................. بتاریخ ......................... اکتوبر 2018 ......................................... کی موجودگی میں دستخط ہوئے۔

| فولیو نمبر | سی ڈی سی اکاؤنٹ نمبر | |
|---|---|---|
| | شرکت دار کی شناخت | اکاؤنٹ نمبر |
| | | |

پانچ روپے کے رسیدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے۔

اہم نکات:

1- ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹرار کے دفتر موصول ہو جانا چاہیے،

2- اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیے جائیں گے۔

3- سی ڈی سی اکاؤنٹ رکھنے والے / کارپوریٹ ادارے مزید برآں درج ذیل شرائط کو پورا کریں گے۔

- پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔
- پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔
- کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کروانی ہوگی۔

# Fazal Cloth Mills Limited

**Head Office / Shares Department:**

59/3, Abdali Road, Multan
Ph: +92 61 4579001-7, 4781637
Fax: +92 61 4541832

**Registered Office:**

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**Printed by: NK Printers. 0300-8382625**