31st Annual Report 2018

Khalid Siraj Textile Mills Ltd.

KHALID SIRAJ TEXTILE MILLS LIMITED
31st ANNUAL
REPORT 2018

C O N T E N T S

COMPANY INFORMATION

CHIEF EXECUTIVE OFFICER	-	MIAN TAYYAB IQBAL
DIRECTORS	-	MIAN TAHIR IQBAL
	-	KHAWAJA HAMZA RIAZ
	-	KHAWAJA PERVAIZ ASLAM
	-	MR. AMIR JAHANGIR
	-	MRS. RUKHSANA ARIF
	-	MR. MUHAMMAD ASIF (NIT NOMINEE)
AUDIT COMMITTEE		
- CHAIRMAN	-	MRS. RUKHSANA ARIF
- MEMBERS	-	KHAWAJA HAMZA RIAZ
	-	MR. AMIR JAHANGIR
HR COMMITTEE		
- CHAIRMAN	-	MIAN TAHIR IQBAL
- MEMBERS	-	KHAWAJA HAMZA RIAZ
	-	MR. AMIR JAHANGIR
COMPANY SECRETARY	-	HAJI TARIQ SAMAD
BANKERS	-	NATIONAL BANK OF PAKISTAN
	-	HABIB BANK LIMITED
	-	FAYSAL BANK LIMITED
	-	DUBAI ISLAMIC BANK PAKISTAN LIMITED
	-	HABIB METROPOLITAN BANK LIMITED
AUDITORS	-	KAMRAN & CO. CHARTERED ACCOUNTANTS A/2, INGOLA APPARTMENTS, 24-JAIL ROAD, LAHORE
CHIEF FINANCIAL OFFICER	-	MR. MUHAMMAD BABAR AZAM
LEGAL ADVISOR	-	MR. MAJID ALI RANA (ADVOCATE)
SHARE REGISTRAR	-	M/S. CORPLINK (PVT) LIMITED WINGS ARCADE, 1-K, COMMERCIAL, MODEL TOWN, LAHORE PH: 042-35916714, FAX: 042-35869037
REGISTERED OFFICE	-	135 - UPPER MALL, LAHORE.
WEBSITE ADDRESS	-	www.kstml.com
MILLS	-	48 - KM, LAHORE - MULTAN ROAD, PHOOL NAGAR (BHAI PHERU), TEHSIL PATTOKI, DISTT. KASUR.

Vision

To accomplish, build up and sustain a good reputation of the project in textile sector locally and globally by manufacturing and marketing high quality of yarn through team work by means of honesty, integrity and commitment.

Mission

To provide maximum satisfaction to customers by supplying fine quality yarn for knitting and Weaving for well known textile Brands through effective utilization of men, material and machines by encouraging, supporting and rewarding the employees and sharing profits with our shareholders. We do have social responsibility towards our community in which we operate and we are committed to safety, health and environment in all our operations.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of the shareholders of Khalid Siraj Textile Mills Limited will be held on Tuesday,November 27, 2018 at 10:00 a.m. at the registered office of the company i.e. 135-Upper Mall, Lahore, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting of the shareholders held on November 27, 2017.

2. To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2018.

3. To appoint Auditors for the year ending June 30, 2019 and fix their remuneration. The retiring Auditors are eligible for re-appointment.

4. To transact any other business with the permission of the Chair.

By order of the Board
Khalid Siraj Textile Mills Limited

Lahore
Dated: November 06, 2018

Haji Tariq Samad
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from November 20, 2018 to November 27, 2018 (both days inclusive)

2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her.

3. The instrument appointing a proxy must be received at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

4. An individual beneficial owner of CDC entitled to attend and vote at this meeting, must bring his/her CNIC or Passport in original to prove his/her identity and in case of a proxy, must enclose an attested copy of his/her CNIC or Passport along with CDC A/C No. Representatives of corporate members should bring the usual documents required for such purpose.

5. Shareholders are requested to promptly notify the change in their addresses, if any, to the Company Registrar i.e. M/S Corplink (Pvt) Ltd., Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 042-35916714, Fax: 042-35869037.

DIRECTORS' REPORT TO THE SHAREHOLDERS

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

DEAR SHAREHOLDERS:

The Directors of your Company welcome you at the 31st Annual General Meeting and are pleased to present the Audited Accounts and Auditors Report thereon for the year ended June 30, 2018.

The Company continued its operation in the beginning current year. However suspended the same due to losses suffered, However, the management is determined to run the Company profitable and is hopeful that economic condition shall improve for the sector.

APPROPRIATIONS

	2018	2017
	Rupees	
Loss before taxation	(92,312,062)	(60,039,681)
Taxation	16,536,120	(1,600,367)
Loss after taxation	(75,775,942)	(61,640,048)
Other comprehensive income for the year		
Incremental depreciation of surplus on revaluation of property, plant and equipment realized for the year (net of tax)	18,572,959	20,319,693
Other comprehensive income for the year (net of tax)	18,572,959	20,319,693
Total comprehensive loss for the year	(57,202,983)	(41,320,355)
Loss per share (basic and anti-dilutive)	(7,08)	(5.76)

CORPORATE AND FINANCIAL REPORTING FRAME WORK

The Board of Directors state that:

a) The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;

b) Proper books of accounts have been maintained by the company;

c) Appropriate accounting policies have been consistently applied in preparation of financial statements based on reasonable and prudent judgement;

d) International Financial Reporting Standards (IFRS), as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed;

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

f) There is no significant doubt the company's ability to continue as a going concern;

g) The main reason for non declaration of dividend is after tax loss of Rs. 75.776 million;

h) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;

PATTERN OF SHAREHOLDINGS

A statement reflecting the pattern of shareholdings is attached to the Annual Report on page 10-11.

KEY OPERATING AND FINANCIAL DATA

A statement summarizing the key operating and financial data of last seven years along with current year is attached to the Annual Report on page 12.

STATUTORY PAYMENTS

As on the closing date, no government taxes, duties, levies and charges were outstanding/overdue except the routine payments of various levies.

TRADE IN THE SHARES OF THE COMPANY

There was no trading in the shares of the Company by the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children during the year under review.

BOARD MEETINGS

During the period under consideration, four (4) meetings were held and the attendance by the respective Directors was as follows:

DIRECTORS	NUMBER OF MEETINGS ATTENDED
Mian Tayyab Iqbal	4
Mian Tahir Iqbal	4
Mrs. Rukhsana Arif	3
Khawaja Hamza Riaz	4
Mr. Amir Jahangir	4
Mr. Muhammad Asif (NIT Nominee)	4

Leave of absence was granted by the board to the non attending directors.

FUTURE PROSPECTS

The management is determined to run the Company profitable and is hopeful that economic condition shall improve for the sector..

AUDITORS

The Auditors M/s.Kamran & Co., Chartered Accountants, are retiring at the conclusion of the Annual General Meeting, scheduled to be held on 27-11-2018. The retiring auditors have offered their services for re-appointment.

MANAGEMENT / EMPLOYEES RELATIONS

The labour management relations remained cordial throughout the year. The Directors take the opportunity to express their appreciation of the spirit of understanding and good will reciprocated by the workers of the company. We trust that this spirit of harmony and mutual understanding will prevail in the times to come, Insha Allah.

Your Directors also place on record their appreciation for the loyalty and devotion to duty of the officers and members of the staff of the company.

For and on behalf of the Board of Directors

MIAN TAYYAB IQBAL
CHAIRMAN/CHIEF EXECUTIVE OFFICER

Lahore: November 05, 2018.

KAMRAN & CO.
CHARTERED ACCOUNTANTS

103, Golden Plaza Fazal-e-Haq Road, Blue Aea, Islamabad - Pakistan.
Tel: +92 (051) 2100925
E-contacts: kamil@kamranco.com.pk, kamil.fatah@gmail.com

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBER OF KHALID SIRAJ TEXTILE 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 KHALID SIRAJ TEXTILE MILLS LIMITED (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

Based on our review, because of the matters stated in para (a) below, the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

(a) The company does not operate fully under the best practices contained in the Regulations as applicable to the Company including non-operative internal audit function, non-appointment of independent director, non-certification of director's training program and various other non-compliances to the Regulations as applicable to the Company.

We have also expressed an adverse opinion in our audit report to the financial statements for the year ended 30 June 2018.

KAMRAN & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Kamil Fatah (ACA)

Islamabad
November 05, 2018

Statement of Compliance with the Code of Corporate Governance
KHALID SIRAJ TEXTILE MILLS LIMITED
For the year ended 30 June 2018

The company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its board of directors. At present the board includes:

Category	Names
Independent Director	None
Executive Directors	Mian Tayyab Iqbal Mian Tahir Iqbal
Non - Executive Directors	Khawaja Hamza Riaz Mr. Amir Jahangir Khawaja Pervaiz Aslam Mrs. Rukhsana Arif Mr. Muhammad Aisf (NIT Nominee)

2. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.
3. All the resident director of the company are registered as tax payers and none of them has defaulted in payment of any loan to a Banking Company, a Development Finance Institution or a Non-Banking Financial Institution or, being a member of a Stock Exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board of directors during the year ended 30 June 2018.
5. The Company has prepared a "Code of Conduct" and has insured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other Executives and non-executive directors, have been taken by the Board / shareholders.
8. The meetings of the Board were presided over by the Chairman or by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of meetings were appropriately recorded and circulated.
9. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these regulations.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The director's report for this year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises of 3 members, of whom, all are non-executive directors and the Chairman of the committee is a not an independent director but a non-executive director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the Committee for compliance.
17. The board has also formed a HR and Remuneration Committee. It comprises of 3 members, of whom 2 are non-executive directors and the Chairman of the committee is an executive director.
18. The Board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partner of the firm, their spouses and 'minor children do not hold shares of the Company and that the firm all its partners are in compliance with international federation of accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. 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.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through all the stock exchanges.
23. The board evaluation process has been implemented to evaluate the Board as a whole.
24. We confirm that all other material principles enshrined in the Code have been complied with except for the certain matters due to closure of operations toward which reasonable progress is being made by the Company to seek compliance by the end of the next fiscal year.

For and on behalf of the Board

MIAN TAYYAB IQBAL
CHIEF EXECUTIVE OFFICER
CNIC # 35202-7317351-7

Lahore: November 05, 2018

PATTERN OF SHAREHOLDING

1. Incorporation Number **0017345**
2. Name of the Company **KHALID SIRAJ TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the shareholders as at **30/06/2018**

4. No. of Shareholders	From	----Shareholding----	To	Total Shares Held
488	1		100	20,817
294	101		500	94,346
241	501		1,000	161,528
231	1,001		5,000	508,557
50	5,001		10,000	372,089
7	10,001		15,000	88,500
6	15,001		20,000	110,469
4	20,001		25,000	90,500
2	25,001		30,000	53,000
3	30,001		35,000	102,500
5	35,001		40,000	184,400
3	40,001		45,000	128,000
1	45,001		50,000	48,500
1	50,001		55,000	54,500
2	55,001		60,000	113,129
2	60,001		65,000	126,413
2	70,001		75,000	149,400
1	80,001		85,000	81,000
1	85,001		90,000	86,567
1	100,001		105,000	102,800
3	105,001		110,000	324,712
11	110,001		115,000	1,239,987
2	145,001		150,000	298,530
1	150,001		155,000	152,100
1	155,001		160,000	159,160
1	160,001		165,000	162,500
1	170,001		175,000	173,007
1	190,001		195,000	191,230
1	220,001		225,000	222,000
1	240,001		245,000	240,750
1	295,001		300,000	299,600
1	305,001		310,000	306,062
1	365,001		370,000	369,973
2	370,001		375,000	746,677
1	380,001		385,000	382,232
1	395,001		400,000	399,431
1	420,001		425,000	420,304
1	550,001		555,000	553,840
1	680,001		685,000	682,998
1	695,001		700,000	697,892
1379				10,700,000

2.3 Categories of shareholders	Share held	Percentage
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	142,929	1.335785
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	0	0.000000
2.3.3 NIT and ICP	7,900	0.073832
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	4,899	0.045785
2.3.5 Insurance Companies	420,304	3.928075
2.3.6 Modarabas and Mutual Funds	694,233	6.488159
2.3.7 Share holders holding 10% or more	0	0.000000
2.3.8 General Public		
a. Local	9,338,958	87.279981
b. Foreign	0	0.000000
2.3.9 Others (to be specified)		
1- Joint Stock Companies	24,243	0.226570
2- Pension Funds	64,042	0.598523
3- Others Companies	2,492	0.023290

CATEGORIES OF SHAREHOLDING REQUIRED UNDER CODE OF CORPORATE GOVERNANCE (CCG) AS ON JUNE 30, 2018

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
Mutual Funds (Name Wise Detail)			
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	682,998	6.3832
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. TAYYAB IQBAL (CDC)	130,929	1.2236
2	KHAWAJA PERVAIZ ALSAM	500	0.0047
3	MIAN TAHIR IQBAL	10,000	0.0935
4	MR. AMIR JAHANGIR	500	0.0047
5	MRS. RUKHSANA ARIF	500	0.0047
6	KHAWAJA HAMZA RIAZ	500	0.0047
7	MR. MUHAMMAD ASIF (NIT NOMINEE)	-	-
Executives:		1,447,804	13.5309
Public Sector Companies & Corporations:		-	0.0000
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		500,480	4.6774

Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)

S. No.	NAME	Holding	%Age
1	MIAN HUSSAIN BARKAT	697,892	6.5224
2	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	682,998	6.3832
3	MIAN IQBAL BARKAT	546,682	5.1092
4	MIAN FAROOQ BARKAT	553,840	5.1761

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S. No.	NAME	SALE	PURCHASE

NIL

FINANCIAL HIGHLIGHTS

Seven Years at a Glance

(All amounts in thousand)

Particulars	2018	2017	2016	2015	2014	2013	2012
Turnover (Net) (Rupees)	-	105,226	17,437	0,000	278,100	1,084,470	796,442
Profit/Loss before taxation (Rupees)	(92,312)	60,040	(43,295)	(59,103)	(66,800)	(38,525)	(38,624)
Profit/Loss after taxation (Rupees)	(75,776)	(61,640)	(49,947)	(54,066)	(62,548)	(30,892)	(43,319)
Paid up capital (Rupees)	107,000	107,000	107,000	107,000	107,000	107,000	107,000
Number of Shares (Ordinary Shares)	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000
Owner's equity (Ordinary Shareholders) (Rupees)	(87,823)	(14,755)	43,883	(184,962)	(143,276)	(84,735)	(81,646)
Break up value of Share of Rs. 10 each (Rupees)	(8.21)	(1.38)	4.10	(17.29)	(13.39)	(8.85)	(7.63)
Earning per share-basic (Rupees)	(7.08)	(5.76)	(4.67)	(5.05)	(5.85)	(2.89)	(4.05)
Total assets (Rupees)	394,648	496,255	534,683	412,448	451,472	511,660	515,368

KAMRAN & CO.
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF KHALID SIRAJ TEXTILE MILLS LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

ADVERSE OPINION

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

In our opinion and to the best of our information and according to the explanation given to us, because of the significance of the matters as discussed in basis for adverse opinion paragraph the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and do not give information required by Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2018and of the profit or loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

BASIS FOR ADVERSE OPINION

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

a) As explained in note 4.3 to the financial statements, the Company has incurred a net loss of Rs. 75.776 million (2017: Rs. 61.640 million) resulting in accumulated losses of Rs. 429.102 million (2017: Rs. 371.899 million) at the close of the year ended 30 June 2018. The Company's current liabilities exceed its current assets by Rs. 208.679 million (2017: Rs. 152.572 million). The Company is facing operational and financial crisis and have lost key management without replacement and the commercial operations of the Company are ceased. These conditions indicate the existence of material uncertainty which may cast a significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in normal course of business. The financial statements, however, do not disclose this fact and any adjustment to that effect;

b) International Accounting Standard - 19, "Employee Benefits" requires that Company should make provision in respect of employee benefits on the basis of projected unit credit method. In absence of working and actuarial valuation in this respect, we were unable to confirm the amount of provision required on account of employee benefits using projected unit credit method.

c) The Company has not provided for mark-up on short-term borrowings owing to the dispute with financial institutions (refer notes 13 and 14 to the financial statements) during the year, and no provision for cost of funds had been accounted for in the financial statements. In the absence of detailed working and the opinion of legal counsel (sought directly) of the Company in this regard we were unable to determine the amount of provision required on account of accrued mark-up.

d) Trade creditors amounting to Rs. 75 million as disclosed in note 11 to the financial statements remains unverified in the absence of direct confirmations from the parties.

e) Short-term borrowings amounting to Rs. 68.181 million (refer note 14 to the financial statements) from financial institutions remained unconfirmed in the absence of direct balance confirmations. These also could not be verified through other corroborative audit evidences.

f) As explained in note 9 to the financial statements regarding long term finances of Rs. 226.682 million, the parties in dispute have entered into a settlement agreement dated 6 April 2014 which was accorded by Lahore High Court, Lahore in its order dated 16 April 2014. However, no steps had been taken by the parties to execute the settlement agreement till date. In the absence of confirmation from legal advisor of the Company we are unable to comment on same.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters

S. No. Key Audit Matters

I. First Time Application of third and fourth schedules to the Companies Act, 2017

As referred to in note - 2 to the annexed financial statements, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.

The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

As part of this transition to the requirements of the said third and fourth schedules, the management performed a gap analysis to identify differences between the previous reporting framework and the current reporting framework and as a result assessed the amendments relating to disclosures required in the Company's financial statements.

We consider it as a key audit matter in view of the extensive impacts in the financial statements due to the Companies Act, 2017.

How the matter was addressed in our audit

Our audit procedures included the following:

- Considering the management's process to identify the necessary amendments required in the Company's financial statements.
- Evaluating the results of management's analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Company's operations and business.
- Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements.

S. No. Key Audit Matters

II. Tax contingencies

The tax contingencies requires the management to make judgments and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies.

Due to inherent uncertainties and the time period such matters may take to resolve, the management judgments and estimates in relation to such contingencies may be complex and can significantly impact the financial statements. For such reasons we have considered tax contingencies as a key audit matter.

How the matter was addressed in our audit

Our audit procedures included the following:

- Review of the correspondence of the Company with the relevant tax authorities and tax advisors including judgments or orders passed by the competent authorities.
- We also obtained and reviewed confirmations from the Company's external tax advisor for their views on the status of each case and an overall opinion on the open tax position of the Company. We involved internal tax experts to assess and review the management's conclusions on contingent tax matters and evaluated whether adequate disclosures have been made in note 24 to the accompanying financial statements.

III. Net Realizable Value (NRV) of inventories and provision for obsolescence

As at the year end, the Company held inventories amounting to Rs. 12.15 million, after considering allowance for inventories obsolescence amounting to Rs. 8.14 million, as disclosed in note 31 to the accompanying financial statements. The inventories obsolescence is calculated by taking into account the NRV of related inventories while mainly keeping in view the estimated selling price, forecasted inventories usage, forecasted sale volumes and product expiry dates. We have considered this area to be a key audit matter due to its materiality and significance in terms of judgments involved in estimating the NRV of underlying inventories.

How the matter was addressed in our audit

Our audit procedures included the following:

- Reviewing the management procedures for evaluating the NRV of inventories, observing physical inventory counts at major locations to ascertain the condition and existence of inventories, confirming inventories held by others and performing testing on a sample of items to assess the NRV of the inventories held and evaluating the adequacy of provision for slow moving and obsolete inventories as at the year end.
- Reviewing the minutes of the relevant meetings at the management and Board level for sanctioning write offs. We also reviewed the stores expiry date to identify slow moving or obsolete items and tested its accuracy on sample basis to check the provision for slow moving and obsolete stores and spares was reasonable.

S. No. Key Audit Matters	How the matter was addressed in our audit
IV. Revaluation of fixed Assets During the year company has not revalued it fixed assets. According to 'IAS 16' it may be necessary to revalue the fixed assets every three or five years.	Our audit procedures included the following: • Reviewing the revaluation policies of the company. On corroborating we found that last revaluation of the fixed assets was carried out in 2016 and management confirmed that there is not much fluctuation in market price from last revaluation to require next revaluation exercise before 3-5 years time. They confirmed that requirement of IAS-16 shall be followed with regard to revaluation timings.
V. Writing off Trade Debts During the year company has written off trade debts amounting to Rs. 1.094 million.	**How the matter was addressed in our audit** Our audit procedures included the following: • Reviewing the policies of the company regarding writing off balances and reviewed the minutes of the relevant board meeting in which decision was taken.
VI. Writing off Balance due from government During the year company has written off balance due from government amounting to Rs. 48.286 million.	**How the matter was addressed in our audit** Our audit procedures included the following: • Evaluating the management estimate regarding writing off balance due from government. The management was of the view that this balance is no longer receivable, hence written off. Considering lack of intent of management, we concur with the estimate.

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

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

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statement, 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. Refer para (a) above under 'Basis for adverse opinion'.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exist. Misstatement can arise from fraud or error and are consider material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of user taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statement, 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimate 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosure 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. Refer para (a) above under 'Basis for adverse opinion'.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on our audit, we further report that in our opinion because of the significance of the matters described in basis for adverse opinion above:

a) Proper books of account have not been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) The statements of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have not been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are agreement with the books of account and return;

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

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

The engagement Partner on the audit resulting in this independent auditor's report is Mr. Kamil Fatah (ACA).

Yours Faithfully,

KAMRAN & CO.
CHARTERED ACCOUNTANTS

Islamabad
November 05, 2018

BALANCE SHEET
AS AT 30 JUNE 2018

	Note	30 June 2018	----------- as restated -----------	
			30 June 2017	30 June 2016
		Rupees	Rupees	Rupees
EQUITY AND LIABILITIES				
Share capital and reserves				
Share capital	7	**107,000,000**	107,000,000	107,000,000
Accumulated loss		**(429,101,703)**	(371,898,720)	(330,578,365)
Surplus on revaluation of property, plant and equipment	8	**234,279,097**	250,143,965	267,461,080
		(87,822,606)	(14,754,755)	43,882,715
Non-current liabilities				
Long-term finances	9	**226,682,011**	222,937,620	213,378,111
Deferred liabilities	10	**32,951,069**	52,239,150	54,707,357
		259,633,080	275,176,770	268,085,468
Current liabilities				
Trade and other payables	11	**113,808,350**	126,804,443	113,685,525
Unclaimed dividend	12	**24,058,182**	24,058,182	24,058,182
Mark-up accrued on borrowings	13	**16,790,575**	16,790,575	16,790,575
Short-term borrowings	14	**68,180,179**	68,180,179	68,180,179
		222,837,286	235,833,379	222,714,461
Contingencies and commitments	15	**-**	-	-
		394,647,760	496,255,394	534,682,644
ASSETS				
Non-current assets				
Property, plant and equipment	16	**362,837,330**	395,342,650	431,429,470
Long-term deposits	17	**2,001,000**	2,001,000	2,001,000
Long-term advances	18	**15,650,727**	15,650,727	15,650,727
		380,489,057	412,994,377	449,081,197
Current assets				
Stores, spare parts and loose tools	19	**12,147,495**	17,055,573	22,393,281
Stock in trade	20	**-**	3,236,446	6,787,800
Trade debts	21	**820,284**	4,028,157	1,093,523
Loans and advances	22	**-**	3,718,572	517,338
Trade deposits and short-term prepayments	23	**507,100**	507,100	507,100
Balances due from government	24	**-**	52,841,365	53,489,608
Cash and bank balances	25	**683,824**	1,873,804	812,797
		14,158,703	83,261,017	85,601,447
		394,647,760	496,255,394	534,682,644

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER　　DIRECTOR　　CHIEF FINANCIAL OFFICER

PROFIT AND LOSS ACCOUNT / STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 2018 Rupees	30 June 2017 Rupees
Sales (net)	26	-	105,225,979
Cost of sales	27	-	145,575,734
Gross loss		-	(40,349,755)
Other operating income	28	4,386,980	-
Distribution and marketing cost	29	42,336	102,240
Administrative and general expenses	30	3,818,307	7,233,044
Other operating expenses	31	92,730,444	12,319,785
Finance cost	32	107,955	34,857
		96,699,042	19,689,926
Loss before taxation		(92,312,062)	(60,039,681)
Taxation	33	16,536,120	(1,600,367)
Loss after taxation		(75,775,942)	(61,640,048)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Incremental depreciation of surplus on revaluation of property, plant and equipment realized for the year (net of tax)		18,572,959	20,319,693
Other comprehensive income for the year (net of tax)		18,572,959	20,319,693
Total comprehensive loss for the year		(57,202,983)	(41,320,355)
Loss per share (basic and anti-dilutive)	34	(7.08)	(5.76)

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER — DIRECTOR — CHIEF FINANCIAL OFFICER

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 2018 Rupees	30 June 2017 Rupees
A Cash flow from operating activities			
Loss before taxation		**(92,312,062)**	(60,039,681)
Add / (Less): Adjustment for non-cash items:			
Depreciation on property, plant and equipment	16.3	**32,505,320**	36,086,820
Impairment of stores and stocks		**8,144,524**	11,935,625
Bad debts		**1,094,236**	-
Balance due from government not recoverable - written off		**50,986,364**	-
Finance cost	32	**107,955**	34,857
		92,838,399	48,057,302
Operating profit/(loss) before working capital changes		**526,337**	(11,982,379)
Working capital changes			
(Increase) / Decrease in current assets			
Stores, spare parts and loose tools		**-**	(6,597,917)
Stock in trade		**-**	3,551,354
Trade debts		**2,113,637**	(2,934,634)
Loans and advances		**3,718,572**	(3,201,234)
Balances due from government		**1,824,145**	(219,173)
(Decrease)/increase in trade and other payables		**(12,996,093)**	13,118,918
		(5,339,739)	3,717,314
Net cash (used in) operations		**(4,813,402)**	(8,265,065)
Income taxes paid		**(13,014)**	(198,581)
Finance cost paid		**(107,955)**	(34,857)
Net cash (used in) operating activities		**(4,934,371)**	(8,498,503)
C Cash flow from financing activities			
Proceeds from long-term finances - net		**3,744,391**	9,559,509
Net cash in flow in financing activities		**3,744,391**	9,559,509
Net (decrease)/increase in cash and cash equivalents (A+B+C)		**(1,189,979)**	1,061,007
Cash and cash equivalents at beginning of the year	25	**1,873,804**	812,797
Cash and cash equivalents at end of the year	25	**683,824**	1,873,804

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

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

	Share Capital	Accumulated Loss	Revaluation surplus on property, plant and equipment	Total Equity
		------------------ Rupees	------------------	
As at 30 June 2016	**107,000,000**	**(330,578,365)**	**-**	**(223,578,365)**
Impact of restatement - note 6	-	-	267,461,080	267,461,080
	107,000,000	**(330,578,365)**	**267,461,080**	**43,882,715**
Total comprehensive loss for the year				
Loss for the year	-	(61,640,048)	-	(61,640,048)
Other comprehensive income for the year				
Incremental depreciation on revaluation of property, plant and equipment for the year (net of tax)	-	20,319,693	(20,319,693)	-
Revaluation surplus on property, plant and equipment for the year (net of tax)	-	-	3,002,578	3,002,578
	-	(41,320,355)	(17,317,115)	(58,637,470)
As at 30 June 2017	**107,000,000**	**(371,898,720)**	**250,143,965**	**(14,754,755)**
Total comprehensive loss for the year				
Loss for the year	-	(75,775,942)	-	(75,775,942)
Other comprehensive income for the year				
Incremental depreciation on revaluation of property, plant and equipment for the year (net of tax)	-	18,572,959	(18,572,959)	-
Revaluation surplus on property, plant and equipment for the year (net of tax)	-	-	2,708,091	2,708,091
	-	(57,202,983)	(15,864,868)	(73,067,851)
As at 30 June 2018	**107,000,000**	**(429,101,703)**	**234,279,097**	**(87,822,606)**

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER   DIRECTOR   CHIEF FINANCIAL OFFICER

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2018

1 STATUS AND ACTIVITIES

Khalid Siraj Textile Mills Limited (the "Company") was incorporated in Pakistan as a public limited company on 17 January 1988 under the Companies Ordinance, 1984 and is quoted on Karachi and Lahore Stock Exchanges in Pakistan.

Registered office of the Company is situated at 135, Upper Mall, Lahore. The project of the Company is located at 48 KM, Lahore Multan Road, Phool Nagar (Bhai Pheru), Tehsil Pattoki, District Kasur.

The principle business of the Company is manufacturing and sale of yarn and the other related / allied operations.

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 (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and Provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended 30 June 2018:

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

The other amendments to published standards and interpretations that were mandatory for the Company's financial year ended June 30, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and therefore not disclosed in these financial statements.

3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective:

There are certain new standards, amendments to the approved accounting standards and interpretations that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2018. However, these amendments and interpretations will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

3.3 Standards adopted by the Securities and Exchange Commission of Pakistan

Title Standard / Interpretation	*Effective date (annual reporting periods beginning on or after)*
IFRS 9 Financial Instruments	July 1, 2018
IFRS 15 Revenue from Customers	July 1, 2018
IFRS 16 Leases	January 1, 2019

IFRS 9 and IFRS 15 are applicable for the Company's financial reporting period beginning on July 1, 2018 while IFRS 16 is applicable for the reporting period beginning on July 1, 2019. At present, the impacts of application of these IFRSs on the Company's future financial statements are being assessed. Further, IFRS 17 'Insurance contracts' is yet to be adopted by the SECP.

4 BASIS OF PREPERATION

4.1 Measurement

These financial statements have been prepared under historical cost convention unless otherwise specifically stated.

4.2 Significant accounting judgments and estimates

The preparation of financial statements in conformity with the accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

a) Depreciation method, rates and useful lives of property, plant and equipment (note 16)
b) Employee benefits (note 10)
c) Recoverable amount of assets/cash generating units and impairment (note 16)
d) Taxation (note 33)
e) Provisions (note 11)
f) Contingencies (note 15)

4.3 Going concern assumption

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

The Company incurred a net loss of Rs. 75.776 million (2017: Rs. 61.64 million) resulting in accumulated losses of Rs. 429.102 million (2017: Rs. 371.89 million) at the close of the year ended 30 June 2018. The Company's current liabilities exceed its current assets by Rs. 208.679 million (2017: Rs. 152.572 million).

The Company had ceased its operations since November 2013 due to working capital. However, subsequent to the balance sheet date, the management is taking steps to recommence operations and the Company is in negotiations with financial institutions / sponsors of the Company for borrowing of funds to manage working capital requirements. The Company managed its liquidity constraints largely thru financing from its sponsors. The Company's ability to continue as a going concern is dependent on continued financing from sponsors. Management's effors for obtaining finances from financial institutions are not so far materilized, however, management is confident that efforts will be realized and that the Company will be able to continue as a going concern.

4.4 Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is Company's functional and presentation currency.

5 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been adopted and applied consistently to the period presented in the preparation of these financial statements:

5.1 Property, plant and equipment

Property, plant and equipment except freehold land is stated at cost / revalued amounts (if any) less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work in progress and stores held for capital expenditure are stated at cost less accumulated impairment losses, if any. Cost also includes borrowing costs wherever applicable.

When parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment. Subsequent costs are recognized as a part of asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income during the period in which they are incurred.

Depreciation is charged to profit and loss account applying the reducing balance method over its estimated useful life at the rates specified in note 16 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which they are available for use while no depreciation is charged for the whole year in which property, plant and equipment purchased, and no depreciation in the year in which it is disposed off. The useful lives and depreciation methods are reviewed on periodic intervals to ensure that the methods and period of depreciation charged during the year are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Gains or losses on disposal of property, plant and equipment, if any, are recognized in the income of the relevant year, as and when incurred. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

5.2 Surplus on revaluation of fixed assets

A revaluation surplus is recorded in other comprehensive income (OCI) and credited to the asset revaluation surplus in equity. However, the increase is recorded in the statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognised in the statement of profit or loss however, a decrease is recorded in statement of other comprehensive income to the extent of any credit balance entry in revaluation surplus in respect of same assets. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on assets original cost.

5.3 Taxation

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

a) Current

Provision for current taxation is the amount computed on taxable income at the current rates of taxation or alternative corporate tax computed on accounting income or minimum tax on turnover, whichever is higher, and taxes paid / payable on final tax basis, after taking into account tax credit available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from the assessments made / finalized during the year.

b) Deferred

Deferred taxation if applicable, is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. In this regard the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirements of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan.

Deferred tax liability is recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged in the profit and loss account, except in the case of items credited or charged to equity, in that case it is included in equity.

5.4 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Subsequent to initial recognition, borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amount as reduced by periodic payments and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis. Finance cost are accounted for on an accrual basis and are included in interest accrued on loans to the extent of amount remaining unpaid, if any.

5.5 Financial Instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

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

c) Held to maturity investments

Held to maturity are financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market, where management has the intention and ability to hold till maturity are carried at amortized cost.

d) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the reporting date. Available for sale financial assets in such case are classified as short term investments in the statement of financial position.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized as “Other comprehensive income” are included in the profit or loss as gains and losses on disposal of short term investments. Interest on available for sale securities calculated using effective interest method is recognized as profit or loss. Dividends on available for sale equity instruments are recognized in the profit or loss when the Company’s right to receive payments is established.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized at trade date i.e. the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortized cost using effective interest rate method. The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the Company measures the investments at cost less impairment in value, if any. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognized in the profit or loss. Changes in the fair value of instruments classified as 'available for sale' are recognized in 'Other comprehensive income' until derecognized or impaired, when the accumulated fair value adjustments recognized in unrealized surplus on revaluation of investments are included in the profit or loss for the year. The Company assesses at each date of statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired.

Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are initially measured at cost, which is the fair value of the consideration given. Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit or loss.

Off-setting of financial assets and liabilities

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

5.6 Cash and cash equivalents

Cash and cash equivalents are carried in the financial position at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks and short-term deposits which are held to maturity.

5.7 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount less an estimated allowance made for doubtful receivables based on review of outstanding amounts at the year end. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

5.8 Trade and other payables

a) Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

b) Non-financial liabilities

These on initial recognition and subsequently are measured at cost.

5.9 Dividend distribution

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed, in the Company's financial statements in the year in which the dividends are approved by Company's shareholders.

5.10 Provisions

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

5.11 Borrowing cost

Borrowing costs relating to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that asset. All other borrowing costs are recognized as an expense in the period in which these are incurred.

5.12 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

5.13 Foreign currency translations

Transactions in currencies other than Pakistani Rupees are recorded at rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used. Gains and losses arising on translation are included in profit and loss account, except as stated in respective note to the financial statements.

5.14 Employee benefits

a) Short-term employee benefits / Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leaves according to the Company's policy in the period in which the leaves are earned. Charge for the year is included in profit and loss account.

b) Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 10.1 also refer note 4.2 to the financial statements.

5.15 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

5.16 Stores, spare parts and loose tools

These are normally held for internal use and valued at moving average cost less allowances for obsolete and slow moving items except stores in transit which are valued at invoice values plus other charges incurred thereon up to the balance sheet date. For items which are slow moving and/ or identified as surplus to the Company's requirements, adequate impairment is recognized. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

5.17 Stock-in-trade

Basis of valuations are as follows:

Particulars	*Mode of Valuation*
Raw material - at warehouse	at lower of weighted average cost and net realizable value
- in transit	at cost accumulated to the balance sheet date
Work-in-process	at estimated manufacturing cost
Finished goods	at lower of cost and net realizable value
Waste	at realizable value

Cost in relation to work-in-process and finished goods represents average manufacturing cost which consists of prime cost and proportion of manufacturing overheads based on normal capacity. Net realizable value signifies selling price in ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale.

5.18 Revenue recognition

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

Revenue is recognized when goods are dispatch and title has been passed to the customers.

Export rebate is recognized on accrual basis at the time of making the export sale.

Profit on saving account is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective profit rate applicable.

5.19 Impairment

a) 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 that 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.

b) Non-financial assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognized as expense in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and 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 amortization, if no impairment loss had been recognized. For nonfinancial assets, financial assets measured at amortized cost, available-for-sale financial assets that are debt securities, the reversal is recognized in profit and loss account.

5.20 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income.

Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of comprehensive income'.

5.21 Earnings per share ("EPS")

The Company calculates both basic and diluted EPS in accordance with IAS 33 "Earnings per Share". Under IAS 33, basic EPS is computed using weighted average number of shares outstanding during the year. Diluted EPS is computed using weighted average number of shares outstanding plus dilutive effect of stock options outstanding during the year.

5.22 Offsetting

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

5.23 Related party transactions

Related party transactions are carried out on an arm's length basis. Pricing for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller. The accounting methods adopted for various types of transactions and balances with related parties are as follows:

a) Sale of goods and services

Revenue from sale of goods and services to related parties is recognized in accordance with the revenue recognition policy of the Company for such transactions. Receivables against sale of goods outstanding at the reporting date are carried at amortized cost in accordance with the accounting policy of the Company for such balances.

b) Purchases of goods and services

Purchases of goods from related parties are recognized at actual cost to the Company. Payables against purchases from related parties outstanding at the reporting date are carried at amortized cost in accordance with the accounting policy of the Company for such balances.

c) Dividend distribution

Distribution to related parties having shareholding in the Company is recognized in accordance with the accounting policy of the Company for dividend distribution to ordinary shareholders.

5.24 Determination of fair value

A number of Company's accounting policies require determination of fair value, for both financial and non-financial assets and liabilities. Fair values of assets and liabilities is determined as follows:

a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future net cash in flows, discounted at the market rate of interest at the reporting date.

b) Trade and other payables

The fair value of trade and other payables is estimated as the present value of future net cash out flows, discounted at the market rate of interest at the reporting date.

c) Borrowings

The fair value of borrowings is determined using effective interest method.

5.25 Figures

Figures have been rounded off to the nearest of rupee.

6 CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of land and building stands amended as follows:

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

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

The effect of change in accounting policy is summarised below:

	As previously reported	As re-stated	Re-statement
	---------------------- Rupees	--------------------	
As at 30 June 2017			
Effect on statement of financial position			
Surplus on revaluation of property, plant and equipment	250,143,965	-	(250,143,965)
Share capital and reserves	-	250,143,965	250,143,965
Effect on statement of changes in equity			
Revaluation surplus on property, plant and equipment	-	250,143,965	250,143,965
Effect on statement of comprehensive income			
Gain on revaluation of land and buildings - net of deferred tax	-	-	-
As at 30 June 2016			
Effect on statement of financial position			
Surplus on revaluation of property, plant and equipment	267,461,080	-	(267,461,080)
Share capital and reserves	-	267,461,080	267,461,080
Effect on statement of changes in equity			
Revaluation surplus on property, plant and equipment	-	267,461,080	267,461,080
Effect on statement of comprehensive income			
Gain on revaluation of land and buildings - net of deferred tax	-	-	-

There is no impact on cash flows and earnings per share as a result of the retrospective application of change in accounting policy.

	30 June 2018 Rupees	30 June 2017 Rupees

7 SHARE CAPITAL

Authorized capital

Ordinary shares of Rs. 10 each	**120,000,000**	120,000,000

Issued subscribed and paid up capital

Ordinary shares of Rs. 10 each		
- fully paid in cash	**100,000,000**	100,000,000
- fully paid as bonus shares	**7,000,000**	7,000,000
	107,000,000	107,000,000

7.1 There is no movement in capital of the Company during the year

7.2 The Company has only one class of ordinary shares which carry no right to fixed income.

8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	At beginning of the year (net of deferred tax)	*Increase in surplus due to change in tax rate*	*Increase in surplus due to revaluation during the year*	*Incremental depreciation (net of deferred tax)*	*At end of the year (net of deferred tax)*
			Rupees		
8.1 Reconciliation of carrying values at end of year - 30 June 2018					
Freehold land	63,285,703	-	-	-	**63,285,703**
Building on freehold land					
- Factory	63,385,462	918,630	-	(6,430,409)	**57,873,683**
- Others	7,563,923	109,622	-	(383,677)	**7,289,868**
	70,949,385	1,028,252	-	(6,814,086)	**65,163,551**
Plant and machinery	109,744,896	1,590,506	-	(11,133,541)	**100,201,861**
Electric installations	2,780,424	40,296	-	(282,072)	**2,538,648**
Laboratory equipment	3,383,557	49,037	-	(343,260)	**3,089,334**
	250,143,965	2,708,091	-	(18,572,959)	**234,279,097**
8.2 Reconciliation of carrying values at end of year - 30 June 2017					
Freehold land	63,285,703	-	-	-	**63,285,703**
Building on freehold land					
- Factory	69,407,591	1,020,700	-	(7,042,829)	**63,385,462**
- Others	7,846,633	115,391	-	(398,101)	**7,563,923**
	77,254,224	1,136,091	-	(7,440,930)	**70,949,385**
Plant and machinery	120,171,544	1,767,229	-	(12,193,877)	**109,744,896**
Electric installations	3,044,587	44,773	-	(308,936)	**2,780,424**
Laboratory equipment	3,705,022	54,485	-	(375,950)	**3,383,557**
	267,461,080	3,002,578	-	(20,319,693)	**250,143,965**

8.3 The Company, revalued its freehold land, buildings on freehold land and plant and machinery on 30 June 2010. The said revaluation exercise was carried-out to replace the carrying amounts of assets with the market values / depreciated market values. Previous revaluation exercise was conducted by independent valuers on 30 June 2016.

The revaluation exercise was carried out by independent valuers M/s. Anderson Consulting (Private) Limited (who are on the list of approved valuers of Pakistan Banks' Association) and revaluation adjustments were incorporated.

8.4 The basis of revaluation are as under:

Freehold land	The value of land is based on inquiries in the activity of land and also information obtained from different sources in the area.
Buildings on freehold land (both factory and non-factory)	The value of building is based on information of construction details, covered areas and quality of constructions were noted and new rate of construction per square foot was determined based upon estimates of balance life to arrive at new construction value.
Plant and machinery (inclusive of electric and lab equipments)	The value is based on inquiries from the local market, market based comparisons and setting price of machinery to obtain prevalent replacement values of similar local and imported machinery items.

		30 June 2018 Rupees	30 June 2017 Rupees
9 LONG-TERM FINANCES			
From related parties (current and prior) - unsecured			
Sponsors	- note 9.1	**30,400,000**	30,400,000
Previous associated undertakings	- note 9.2	**32,329,798**	32,329,798
Current and ex-directors	- note 9.3	**163,952,213**	160,207,822
		226,682,011	222,937,620

9.1 Loan from sponsors

These represents unsecured loan from sponsors of the Company. The terms of repayment has not yet been decided so far. Refer note 9.2 for detail of the matter.

9.2 Previous associated undertakings

This represents unsecured loans from various companies which were previously associated undertakings but had been allocated by the Honorable Lahore High Court, Lahore to other families of ex-Ittefaq group. This amount includes principal amount of Rs. 13.440 million (2017: Rs. 13.440 million) and mark-up accrued on said loans amounting to Rs. 18.890 million (2017: Rs. 18.890 million). Furtherance to same, the parties in dispute have entered into a settlement agreement dated 6 April 2014 which was accorded by Lahore High Court, Lahore in its order dated 16 April 2014. However, no steps had been taken by the parties to execute the settlement agreement till date.

9.3 Long-term loans from current and ex-directors

These represents unsecured and interest free loans from chief executive officer, directors and sponsors. The terms of repayment has not yet been decided so far, however, the directors and sponsors have given undertaking that they have no intention to demand such loan within period of next twelve months, as such the current maturity has not been presented.

9.4 These are classified as 'financial liabilities' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these long term loans have no fixed maturity date as discussed above, are carried at cost as their amortized cost is impracticable to determine.

		30 June 2018 Rupees	30 June 2017 Rupees
10 DEFERRED LIABILITIES			
Employee retirement benefits	- note 10.1	**6,193,239**	6,193,239
Deferred taxation	- note 10.2	**26,757,830**	46,045,911
		32,951,069	52,239,150

10.1 Employee retirement benefits

As the Company has ceased its operations and accordingly, the Company has stop providing for employee retirment benefits, the balance represents unpaid gratuity to outgoing employees. As the Company is no longer providing employee retirment benfits, therefore the present value of obligation has not been determined using projected unit credit method.

	30 June 2018 Rupees	30 June 2017 Rupees
10.2 Deferred taxation		
Deferred tax liability on taxable temporary differences		
Accelerated tax depreciation on property, plant and equipment	**11,158,910**	13,684,762
Surplus on revaluation of property, plant and equipment	**73,282,882**	83,950,813
Deferred tax asset on deductible temporary differences		
Employee retirement benefits	**(1,857,972)**	(1,919,904)
Unused tax losses	**(55,825,990)**	(49,669,760)
	26,757,830	46,045,911
Charge of deferred tax		
In surplus on revaluation of property, plant and equipment	**(2,708,091)**	(3,002,578)
In profit and loss account	**(16,579,990)**	534,370
	(19,288,081)	(2,468,208)

11 TRADE AND OTHER PAYABLES			
Trade creditors		**82,947,710**	87,747,426
Advances from customers		**3,688,516**	5,280,966
Accrued liabilities		**25,918,537**	32,169,168
Withholding taxes payable		**953,587**	1,306,883
Securities payable		**300,000**	300,000
		113,808,350	126,804,443

11.1 Workers profit participation fund / Workers' welfare fund

As the Company is in loss for the year as in last year, hence no provision for workers' profit participation fund and 'workers' welfare fund' has been provided in these financial statements.

12 UNCLAIMED DIVIDEND			
Unclaimed dividend	- note 12.1	**24,058,182**	24,058,182

12.1 Unclaimed dividend

These represents uncalled dividends by sponsors of the Company. The above uncalled dividend alongwith loans from sponsors is subjudice before the Honorable Lahore High Court, Lahore (also refer note 9.2).

13 MARK-UP ACCRUED ON BORROWINGS		
Short-term borrowings	**16,790,575**	16,790,575

		Sanctioned Limits		Amount Availed	
		30 June 2018	30 June 2017	**30 June 2018**	30 June 2017
		Rupees	Rupees	**Rupees**	Rupees
14 SHORT-TERM BORROWINGS					
Cash finances	- note 14.1	**160,000,000**	160,000,000	**60,680,179**	60,680,179
FATR	- note 14.2	**7,500,000**	7,500,000	**7,500,000**	7,500,000
		167,500,000	167,500,000	**68,180,179**	68,180,179

14.1 Cash finances

This facility has been obtained from National Bank of Pakistan for working capital requirements, and is secured by way of first pari passu charge amounting to Rs. 67.00 million (2017: Rs. 67.00 million) over the fixed assets of the Company, ranking charge amounting to Rs. 178.33 million (2017: Rs. 178.33 million) over the current assets of the Company, pledge of stocks of cotton bales and yarn and personal guarantees of sponsoring directors of the Company. This facility carries mark-up at the rate of 3 months KIBOR plus 300 bps (2017: 3 months KIBOR plus 300 bps) per annum payable on quarterly basis. This facility had expired on 31 December 2013 and had not been renewed by the bank till the authorization for issue of these financial statements.

14.2 Finance against trust receipts (FATR)

This facility has been obtained from National Bank of Pakistan for cotton procurement, and is secured by way of first pari passu charge amounting to Rs. 25.00 million on current assets of the Company, trust receipts duly executed by the Company and personal guarantees of sponsoring directors of the Company. This facility carries mark-up at the rate of 3 months KIBOR plus 300 bps (2017: 3 months KIBOR plus 300 bps) per annum. This facility had expired on 31 December 2013 and had not been renewed by the bank till the authorization for issue of these financial statements.

	30 June 2018	30 June 2017
	Rupees	Rupees
15 CONTINGENCIES AND COMMITMENTS		
Contingencies		
Guarantees issued on behalf of the Company by financial institutions	**507,100**	507,100
Unavailed letters of credit (sight) facility	**20,000,000**	20,000,000

The Company was in litigation as regard to balances payable to sponsors amounting to Rs. 30.40 million (2017: Rs. 30.40 million), uncalled dividends of sponsors amounting to Rs. 24.06 million (2017: Rs. 24.06 million), previous associated undertakings amounting to Rs. 32.33 million (2017: Rs. 32.33 million) and balance receivable from previous associated undertakings amounting to Rs. 15.65 million (2017: Rs. 15.65 million). Furtherance to same, the parties in dispute have entered into a settlement agreement dated 6 April 2014 which was accorded by Lahore High Court, Lahore in its order dated 16 April 2014. However, no steps had been taken by the parties to execute the settlement agreement till date.

Short-term borrowing facilities from National Bank of Pakistan have not been renewed by the financial institution during the year.Further, a case was filed by the bank against the company at 24 June 2016 against which hearings are under process.

Other than above, there is no known contingent liability of the Company as on year end (2017: Nil).

Commitments

There are no outstanding commitments of the Company as on year end (2017: Nil).

16 PROPERTY, PLANT AND EQUIPMENT

16.1 Reconciliation of carrying values at end of the year - 30 June 2018

PARTICULARS	COST / REVALUED AMOUNTS			DEPRECIATION			BOOK VALUE	Annual
	As at 1/July/2017	Additions / (Disposals)	As at 30/June/2018	As at 1/July/2017	Charge for the year	As at 30/June/2018	As at 30/June/2018	rate of dep.
	------------	------------	------------	Rupees	------------	------------		% age
Freehold land								
Cost	1,064,297	-	1,064,297	-	-	-	1,064,297	-
Revaluation	63,285,703	-	63,285,703	-	-	-	63,285,703	-
	64,350,000	-	64,350,000	-	-	-	64,350,000	
Factory building on freehold land								
Cost	34,577,413	-	34,577,413	27,052,275	752,514	27,804,789	6,772,624	10
Revaluation	160,286,583	-	160,286,583	68,423,597	9,186,299	77,609,896	82,676,687	10
	194,863,996	-	194,863,996	95,475,872	9,938,813	105,414,685	89,449,311	
Non-factory building on freehold land								
Cost	7,380,828	-	7,380,828	5,805,205	78,781	5,883,986	1,496,842	5
Revaluation	16,869,044	-	16,869,044	5,906,838	548,110	6,454,948	10,414,096	5
	24,249,872	-	24,249,872	11,712,043	626,891	12,338,934	11,910,938	
Plant and machinery								
Cost	317,571,940	-	317,571,940	271,512,516	4,605,942	276,118,458	41,453,482	10
Revaluation	377,591,629	-	377,591,629	218,541,053	15,905,058	234,446,111	143,145,518	10
	695,163,569	-	695,163,569	490,053,569	20,511,000	510,564,569	184,599,000	
Electric installations								
Cost	6,881,121	-	6,881,121	5,285,143	159,598	5,444,741	1,436,380	10
Revaluation	16,214,684	-	16,214,684	12,185,083	402,960	12,588,043	3,626,641	10
	23,095,805	-	23,095,805	17,470,226	562,558	18,032,784	5,063,021	
Laboratory equipment								
Cost	6,692,987	-	6,692,987	6,335,424	35,756	6,371,180	321,807	10
Revaluation	18,295,338	-	18,295,338	13,391,633	490,371	13,882,004	4,413,334	10
	24,988,325	-	24,988,325	19,727,057	526,127	20,253,184	4,735,141	
Tools and equipment	154,960	-	154,960	146,885	808	147,693	7,267	10
Concrete mixer	300,000	-	300,000	284,501	1,550	286,051	13,949	10
Weighing scales	233,200	-	233,200	220,135	1,307	221,442	11,758	10
Furniture and fixtures	7,609,088	-	7,609,088	5,653,723	195,537	5,849,260	1,759,828	10
Tube well	1,292,880	-	1,292,880	877,055	41,583	918,638	374,242	10
Arms and ammunition	27,350	-	27,350	24,013	334	24,347	3,003	10
Bicycles	11,880	-	11,880	11,697	37	11,734	146	20
Motor vehicles	13,263,417	-	13,263,417	12,604,916	98,775	12,703,691	559,726	15
Total - 30/June/2018	1,049,604,342	-	1,049,604,342	654,261,692	32,505,320	686,767,012	362,837,330	

16.2 Reconciliation of carrying values at beginning of the year - 30 June 2016

PARTICULARS	COST / REVALUED AMOUNTS			DEPRECIATION			BOOK VALUE	Annual
	As at 1/July/2016	Additions for the year	As at 30/June/2017	As at 1/July/2016	Charge for the year	As at 30/June/2017	As at 30/June/2017	rate of dep.
	Rupees							% age
Freehold land								
Cost	1,064,297	-	1,064,297	-	-	-	1,064,297	-
Revaluation	63,285,703	-	63,285,703	-	-	-	63,285,703	-
	64,350,000	-	64,350,000	-	-	-	64,350,000	
Factory building on freehold land								
Cost	34,577,413	-	34,577,413	26,216,148	836,127	27,052,275	7,525,138	10
Revaluation	160,286,583	-	160,286,583	58,216,598	10,206,999	68,423,597	91,862,986	10
	194,863,996	-	194,863,996	84,432,746	11,043,126	95,475,872	99,388,124	
Non-factory building on freehold land								
Cost	7,380,828	-	7,380,828	5,722,277	82,928	5,805,205	1,575,623	5
Revaluation	16,869,044	-	16,869,044	5,329,880	576,958	5,906,838	10,962,206	5
	24,249,872	-	24,249,872	11,052,157	659,886	11,712,043	12,537,829	
Plant and machinery								
Cost	317,571,940	-	317,571,940	266,394,802	5,117,714	271,512,516	46,059,424	10
Revaluation	377,591,629	-	377,591,629	200,868,767	17,672,286	218,541,053	159,050,576	10
	695,163,569	-	695,163,569	467,263,569	22,790,000	490,053,569	205,110,000	
Electric installations								
Cost	6,881,121	-	6,881,121	5,107,812	177,331	5,285,143	1,595,978	10
Revaluation	16,214,684	-	16,214,684	11,737,350	447,733	12,185,083	4,029,601	10
	23,095,805	-	23,095,805	16,845,162	625,064	17,470,226	5,625,579	
Laboratory equipment								
Cost	6,692,987	-	6,692,987	6,295,695	39,729	6,335,424	357,563	10
Revaluation	18,295,338	-	18,295,338	12,846,778	544,855	13,391,633	4,903,705	10
	24,988,325	-	24,988,325	19,142,473	584,584	19,727,057	5,261,268	
Tools and equipment	154,960	-	154,960	145,988	897	146,885	8,075	10
Concrete mixer	300,000	-	300,000	282,779	1,722	284,501	15,499	10
Weighing scales	233,200	-	233,200	218,683	1,452	220,135	13,065	10
Furniture and fixtures	7,609,088	-	7,609,088	5,436,460	217,263	5,653,723	1,955,365	10
Tube well	1,292,880	-	1,292,880	830,852	46,203	877,055	415,825	10
Arms and ammunition	27,350	-	27,350	23,642	371	24,013	3,337	10
Bicycles	11,880	-	11,880	11,651	46	11,697	183	20
Motor vehicles	13,263,417	-	13,263,417	12,488,710	116,206	12,604,916	658,501	15
Total - 30/June/2017	1,049,604,342	-	1,049,604,342	618,174,872	36,086,820	654,261,692	395,342,650	

		30 June 2018 Rupees	30 June 2017 Rupees
16.3 Depreciation for the year has been allocated as -			
Cost of sales	- note 27	**-**	35,702,660
Other operating expenses	- note 30	**32,505,320**	384,160
		32,505,320	36,086,820

16.4 Had there been no revaluation, the cost, accumulated depreciation and book value of revalued assets at 30 June 2018 and 30 June 2017 would be as under:

As at 30 June 2018

	Cost	*Accumulated depreciation*	*Book value*
	----------	Rupees	----------
Freehold land	1,064,297	-	**1,064,297**
Buildings on freehold land			
- Factory	34,577,413	27,804,789	**6,772,624**
- Non factory	7,380,828	5,883,986	**1,496,842**
Plant and machinery	317,571,940	276,118,458	**41,453,482**
Electric installations	6,881,121	5,444,741	**1,436,380**
Laboratory equipment	6,692,987	6,371,180	**321,807**
	374,168,586	321,623,154	**52,545,432**

As at 30 June 2017

	Cost	*Accumulated depreciation*	*Book value*
	----------	Rupees	----------
Freehold land	1,064,297	-	**1,064,297**
Buildings on freehold land			
- Factory	34,577,413	27,052,275	**7,525,138**
- Non factory	7,380,828	5,805,205	**1,575,623**
Plant and machinery	317,571,940	271,512,516	**46,059,424**
Electric installations	6,881,121	5,285,143	**1,595,978**
Laboratory equipment	6,692,987	6,335,424	**357,563**
	374,168,586	315,990,563	**58,178,023**

16.5 The valuer has not provided forced sale value of the revalued assets in its report.

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

Location	**Usage of immovable property**	**Total Area (In acres)**
48-km, Multan Road, Bhai pheru, District Kasur	Manufacturing facility	8.05

		30 June 2018 Rupees	30 June 2017 Rupees
17 LONG-TERM DEPOSITS			
Deposits with various institutions	- note 17.1	**2,001,000**	2,001,000

17.1 These are interest free refundable deposits with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

			30 June 2018	30 June 2017
			Rupees	Rupees
18	**LONG-TERM ADVANCES**			
	Due from previously associated undertakings	- note 18.1	**15,650,727**	15,650,727

18.1 This represents the amount receivable from various companies which were previously associated undertakings but had been allocated by the Honorable Lahore High Court, Lahore to other families involved in ex-Ittefaq group. As refer note 9.2 and 15 to the financial statements.

		30 June 2018	30 June 2017
		Rupees	Rupees
19	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores	**997,325**	1,231,905
	Spare parts and loose tools	**4,730,214**	7,344,749
	Packing material	**6,419,956**	8,478,919
		12,147,495	17,055,573

19.1 Entire 'stores, spare parts and loose tools' have been carried at lower of cost and net realizable value.

20	**STOCK IN TRADE**			
	Finished goods		**-**	3,236,446

20.1 Stock in trade is pledged with National Bank of Pakistan against short-term borrowings.

21	**TRADE DEBTS**			
	Local debts (unsecured but considered good)		**820,284**	4,028,157
22	**LOANS AND ADVANCES**			
	Advances to suppliers (unsecured but considered good)		**-**	3,590,418
	Other advances		**-**	128,154
			-	3,718,572
23	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Bank guarantee deposits		**507,100**	507,100
24	**BALANCES DUE FROM GOVERNMENT**			
	Income tax recoverable	- note 24.1	**-**	48,317,839
	Sales tax refundable	- note 24.2	**-**	4,222,813
	Excise duty		**-**	300,713
			-	52,841,365

		30 June 2018 Rupees	30 June 2017 Rupees
24.1 Income tax recoverable			
At beginning of the year		**48,317,839**	49,185,255
Add: Income tax deducted / paid during the year		**13,014**	198,581
		48,330,853	49,383,836
Less: Provision for taxation	- note 33.1	**(43,870)**	(1,065,997)
Less: Adjusted (not recoverable)		**(48,286,983)**	-
At end of the year		**-**	48,317,839

24.2 Sales tax refundable

It represents accumulated differences of input tax on purchases and sales tax payable. The Company has received refund amount during the year and the balance amount was disallowed and not recoverable.

		30 June 2018 Rupees	30 June 2017 Rupees
25 CASH AND BANK BALANCES			
In hand		**-**	1,103,537
With banks (on current accounts)		**683,824**	770,267
		683,824	1,873,804
26 SALES (NET)			
Gross sales			
Fabric		**-**	106,599,723
		-	106,599,723
Less: Sales commission		**-**	(1,373,744)
Net sales		**-**	105,225,979
27 COST OF SALES			
Raw material consumed	- note 27.1	**-**	51,300,472
Salaries, wages and other benefits		**-**	28,252,837
Stores and spare parts consumed		**-**	7,375,204
Power and fuel		**-**	25,395,837
Repair and maintenance		**-**	232,164
Depreciation on property, plant and equipment		**-**	35,702,660
Other manufacturing overheads		**-**	553,006
		-	148,812,180
Adjustment of finished goods			
Opening stocks		**3,236,446**	-
Impairment of stocks		**(3,236,446)**	
Less: Closing stocks		**-**	(3,236,446)
		-	(3,236,446)
Total cost of sales		**-**	145,575,734
27.1 Raw material consumed			
Opening stocks		**-**	-
Add: Purchases and direct expenses		**-**	51,300,472
Less: Closing stocks		**-**	-
		-	51,300,472

			30 June 2018 Rupees	30 June 2017 Rupees
28	**OTHER OPERATING INCOME**			
	Scrap sale		**4,386,980**	-
29	**DISTRIBUTION AND MARKETING COST**			
	Advertisements		**42,336**	102,240
30	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Directors remuneration		**-**	1,245,800
	Salaries and allowances		**1,374,631**	3,240,243
	Vehicle running and maintenance		**89,468**	478,135
	Repairs and maintenance		**423,015**	254,931
	Traveling and conveyance		**3,710**	126,004
	Printing and stationery		**47,796**	93,221
	Communications		**24,060**	223,585
	Electricity, gas and water		**97,556**	217,266
	Entertainment		**36,777**	131,268
	Legal and professional charges		**1,868**	178,156
	Auditors' remuneration	- note 30.1	**425,000**	425,000
	Fee and subscription		**200,209**	33,275
	Other expenses		**1,094,217**	586,160
			3,818,307	7,233,044
	30.1 Auditors' remuneration			
	Audit fee		**400,000**	400,000
	Fee for interim review and other certifications		**25,000**	25,000
			425,000	425,000
31	**OTHER OPERATING EXPENSES**			
	Impairments of stocks and stores, spare parts and loose tools		**8,144,524**	11,935,625
	Depreciation on property, plant and equipment	- note 16.3	**32,505,320**	384,160
	Bad debts		**1,094,236**	-
	Balance due from government not recoverable - written off	- note 24.1	**50,986,364**	-
			92,730,444	12,319,785
32	**FINANCE COST**			
	Bank charges and commission		**107,955**	34,857
33	**TAXATION**			
	Current	- note 24.1	**43,870**	1,065,997
	Deferred	- note 10.2	**(16,579,990)**	534,370
			(16,536,120)	1,600,367

33.1 Current year's taxation

Provision for current tax represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001.

33.2 Prior period assessments

While framing the assessment for tax year 2011 under section 221 of the Income Tax Ordinance 2001, the Deputy Commissioner Inland Revenue has disallowed adjustment of prior periods' refunds amounting to Rs. 5.491 million against which the Company has deposited an amount of Rs. 0.812 million in year 2013. The Company has filed an appeal against above order.

The tax council of the Company is of the view that there is every likelihood of the case to be decided in favour of the Company.

33.3 Numerical reconciliation between the average tax rate and the applicable tax rate

	30 June 2018 % age	30 June 2017 % age	**30 June 2018 Rupees**	30 June 2017 Rupees
Applicable tax rate	**30.00%**	31.00%	**27,693,619**	(18,612,301)
Tax effects of amounts that are:				
Inadmissible expenses	**10.03%**	29.22%	**9,258,603**	17,546,304
Difference in tax rates	**-57.94%**	-0.89%	**(53,488,342)**	(534,370)
Effective tax rate/tax	**-17.91%**	59.33%	**(16,536,120)**	(1,600,367)

33.4 Sufficiency of tax provision

As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2017	**2016**	**2015**
	------------------------------	**Rupees**	------------------
Provision as per financial statements	1,065,997	174,369	14,916
Tax assessment	1,065,997	174,369	14,916

		30 June 2018	30 June 2017
34 LOSS PER SHARE (BASIC AND ANTI-DILUTIVE)			
Loss attributable to ordinary equity holders of the Company	*(Rupees)*	**(75,775,942)**	(61,640,048)
Weighted average number of ordinary shares	*(Number)*	**10,700,000**	10,700,000
Loss per share - basic and anti dilutive	*(Rupees)*	**(7.08)**	(5.76)

34.1 There is no anti dilutive effect on the basic loss per share of the Company. Moreover, there are no anti dilutive potential ordinary shares outstanding as at 30 June 2018 and 2017.

35 PLANT CAPACITY AND ACTUAL PRODUCTION

Number of spindles installed	**17,280**	17,280
Installed capacity after conversion into 20 / S counts (Kgs.)	**4,668,224**	4,668,224

It is difficult to determine precisely production / rated capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, twist per inch and raw materials used etc.

	30 June 2018	30 June 2017
36 NUMBER OF EMPLOYEES		
Total number of employees (inclusive of contractual staff) at end of year	2	2
Average number of employees during the year	2	2

37 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of financial assets and liabilities approximate their fair values.

38 FINANCIAL RISK MANAGEMENT

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

a) Credit risk;
b) Liquidity risk; and
c) Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze 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. All derivative activities for risk management purposes are carried out by specialist teams that have appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

38.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering application for credit approvals, granting, renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes, financial viability of all counterparties is regularly monitored/assessed.

Concentration of credit risk arise when a number of counterparties are engaged in a similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Credit risk primarily arises from long-term advances, trade debts, loans and advances and balances with banks. To manage exposures to credit risk in respect of trade debts, management performs credit reviews taking into account the customers' financial position, past experience and other relevant factors. Where considered necessary advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce credit risk. Credit risk on bank balances is limited as the counterparties are banks with reasonably high credit ratings.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	30 June 2018 Rupees	30 June 2017 Rupees
Long-term advances	**15,650,727**	15,650,727
Trade debts	**820,284**	4,028,157
Loans and advances	**-**	3,718,572
Bank balances	**683,824**	770,267
	17,154,835	24,167,723

Geographically, there is no concentration of credit risk. All trade debts at balance sheet date represents domestic parties.

There is no single significant customer in the trade debts of the Company.

	30 June 2018 Rupees	30 June 2017 Rupees
The aging of trade debts at the balance sheet date was as follows:		
Falling within 1 year	-	-
Falling over 1 year	**820,284**	4,028,157
	820,284	4,028,157

Impairment losses

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

38.2 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay. For effective markup rate please see note 14 to these financial statements. Carrying amount and contractual cashflows of trade and other financial liabilities are approximately same.

	30 June 2018			
	Carrying amount	*Contractual cash flows*	*Not later than 1 year*	*Later than 1 year*
	----------------------------	*Rupees*	----------------------------	
Long-term finances	226,682,011	226,682,011	-	226,682,011
Trade payables	113,808,350	113,808,350	113,808,350	-
Short-term borrowings	68,180,179	84,970,754	84,970,754	-
	408,670,540	425,461,115	198,779,104	226,682,011

	30 June 2017			
	Carrying amount	*Contractual cash flows*	*Not later than 1 year*	*Later than 1 year*
	----------------------------	*Rupees*	----------------------------	
Long-term finances	222,937,620	222,937,620	-	222,937,620
Trade payables	126,804,443	126,804,443	126,804,443	-
Short-term borrowings	68,180,179	84,970,754	84,970,754	-
	417,922,242	434,712,817	211,775,197	222,937,620

38.3 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 the return on risk.

a) Foreign currency risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials and plant and machinery, if any. The Company is not exposed to any foreign currency risk as there are very minimal such transactions.

b) Interest rate risk

The interest rate risk is the risk that value of financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and liabilities that mature in given period. At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Variable rate instruments	**30 June 2018**	30 June 2017	**30 June 2018**	30 June 2017
	-------------% -------------		------------- **Rupees** -------------	
Short-term borrowings	**3M KIBOR + 3%**	3M KIBOR + 3%	**68,180,179**	68,180,179

Fair value sensitivity analysis for floating rate instruments

The Company does not account for any fixed / floating rate financial assets and liabilities at fair value through profit and loss therefore, a change in interest rate would not affect profit or loss.

c) Price risk management

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

38.4 Determination of fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

39 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

	30 June 2018 Rupees	30 June 2017 Rupees
Total borrowings	**294,862,190**	291,117,799
Less: Cash and bank balance	**683,824**	1,873,804
Net debt	**294,178,366**	289,243,995
Total Equity	**(87,822,606)**	(14,754,755)
Total capital	**206,355,760**	274,489,240
Gearing ratio	**143%**	**105%**

40 TRANSACTIONS WITH RELATED PARTIES

40.1 Disclosure of transactions between the Company and related parties

The related parties of the Company comprise of associated undertakings, directors of the Company, key management personnel and entities under common directorship. Balances are disclosed elsewhere in the financial statements. Significant transactions with related parties other than disclosed elsewhere in the financial statements are as follows:

Nature of relation	Nature of transactions	30 June 2018 Rupees	30 June 2017 Rupees
Directors	Loan received	**3,744,391**	9,559,509

40.2 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place.

Company Name	Basis of relationship
Barkat Textile Mills Limited	By virtue of common management and directorship
Ramzan Buksh Textile Mills Limited	By virtue of common management and directorship
Ittefaq Textile Mills Limited	By virtue of common management and directorship
Ittefaq Foundries (Private) Limited	By virtue of common management and directorship
Brother Textile Mills Limited	By virtue of common management and directorship

41 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year as remuneration and benefits of the chief executive officer, directors and executives of the Company are as follows:

41.1 No remuneration has been paid to directors, chief executive and executives during the year ended 30 June 2018.

	30 June 2017		
	Directors	**Executives**	**Aggregate**
		Rupees	
Managerial remuneration	830,534	990,787	1,821,321
House rent allowance	332,213	445,854	778,067
Utilities	83,053	49,539	132,592
Total 2017	**1,245,800**	**1,486,180**	**2,731,980**
Number of persons	2	2	4

42 RECLASSIFICATIONS AND RE-ARRANGEMENTS

Corresponding figures have been re-classified and re-arranged, wherever necessary, to reflect more appropriate presentation of events and transactions for the purpose of comparison. Following re-arrangements and reclassifications have been made:

From	To	Reason	Amount
Distribution cost and - administrative expenses	Other operating expenses	Re-arrangement	12,319,785

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on November 05, 2018.

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

FORM OF PROXY

No. of Shares	Please Quote Folio No.

I/We ______________________________ of ______________________

____

a member(s) of KHALID SIRAJ TEXTILE MILLS LIMITED and holding ______________

____

ordinary shares, as per Register folio / CDC A/c No. ______________________

hereby appoint Mr.______________________ of ______________________

of failing his______________________ of ______________________

who is also a member of the company vide Register Folio / CDC A/c No.__________ as my/our proxy to vote for me/us and on my/our behalf at the 31st Annual General Meeting of the Company to held on November 27, 2018 at 10:00 a.m. and at any adjournment thereof

As witness my/our hand this______________ day of ______________ 2018.

Revenue Stamp

1. Witness ______________

2. Witness ______________

Signature of Member (s)

A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of his behalf. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation its common seal (if any) should be affixed to the instrument.

The proxies shall be lodged with the company not later than 48 hours before the time of meeting.

For CDC account holders:

- The proxy form shall be witnessed by two persons where names, addresses and CNIC number shall be mentioned on the form.
- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his/her original CNIC or original passport at the time of meeting.