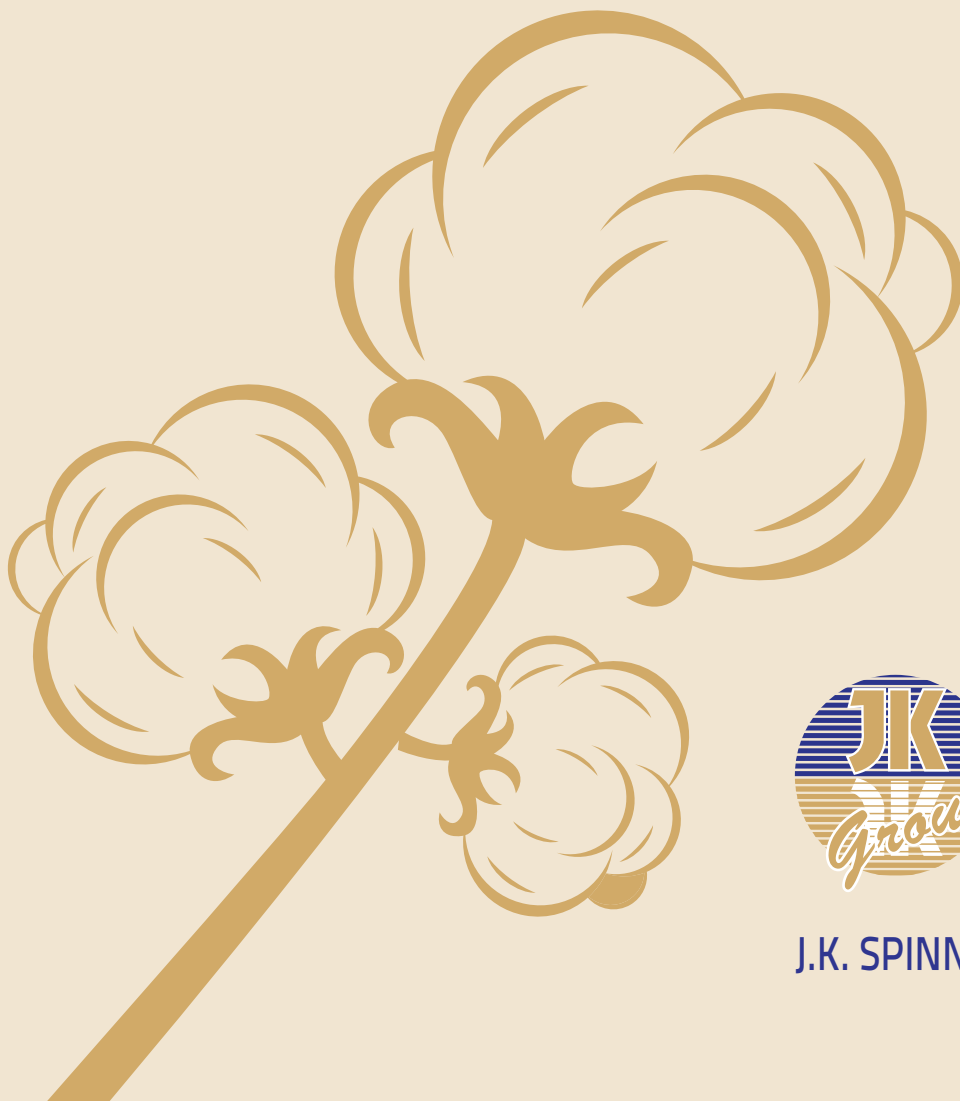


Annual Report 2017



J.K. SPINNING MILLS LIMITED



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Company Information

| | |
|--|--|
| Chairman | Mr. Jawed Anwar |
| Chief Executive | Mr. Faiq Jawed |
| Directors | Mr. Shaiq Jawed Mr. Rehan Ashfaq Mrs. Farhat Jehan Mrs. Nageen Faiq Mrs. Mahwish Shaiq Mrs. Sadaf Aamir Arshad |
| Audit Committee | |
| Chairman | Mr. Rehan Ashfaq |
| Members | Mrs. Farhat Jehan Mrs. Sadaf Aamir Arshad |
| HR Committee | |
| Chairperson | Mrs. Sadaf Aamir Arshad |
| Members | Mr. Shaiq Jawed Mrs. Nageen Faiq |
| Company Secretary | Syed Hussain Shahid Mansoor Naqvi |
| Chief Financial Officer | Mr. Ghulam Muhammad |
| Head of Internal Audit | Mr. Amjad Ali |
| Auditors | M/s Riaz Ahmad & Company, Chartered Accountants (A member of Nexia International) Faisalabad |
| Legal Advisor | Mahfooz Ahmad Khan Advocates |
| Registrar's and Share Registration office | M/s Orient Software Management Services (pvt.) Ltd. 35-Z, Ameer Plaza, Opposite Mujahid Hospital, Commercial Centre, Madina Town, Faisalabad |
| Bankers | Standard Chartered Bank (Pakistan) Limited The Bank of Punjab National Bank of Pakistan Askari Bank Limited MCB Bank Limited The Bank of Khyber Summit Bank Habib Bank Limited Meezan Bank Limited |
| Head Office & Mills | 29-KM, Sheikhpura Road, khurrianwala Faisalabad. |





VISION

To enter into global economy accepting the challenge of barrier free trade as a dynamic force.

MISSION

To turn around performance of company into sustainable growth for the benefit of its stake holders.

To stand the test of expectations of our valued customers redefining excellence with craft, creativity, professionalism and quality control.

To strive hard for boosting exports of country to earn more foreign exchange to rebuild economy.





Chairman's Review



Jawed Anwar
Chairman

It is my pleasure to present 31st Annual Report of the Company for the year ended June 30, 2017.



Overview of Economy and Industry

Economic growth in Pakistan has historically remained volatile, lacking a steady growth path and adding to the economic uncertainty about the country's economic conditions. Historical data shows that the economy in one year reached a high of above 10 percent growth level, but the following year it declined to 2 percent and went up again to above 9 percent. Then it dipped again to 1.2 percent in the following year. From 2007-08 to 2012-13 the economy grew by 3.2 percent on an average. PAKISTAN'S annual GDP growth rate has touched five per cent in 2016-17 after almost a decade. The country's outlook is brightened and looks promising on the back of agricultural recovery, rebound in industrial activities and inflow of investment under CPEC. The CPEC will not only further develop Pakistan but also strengthen human ties across both sides of the border. Along the CPEC route, new industrial zones should open opportunities for investment, particularly for small and medium sized auxiliary businesses. Joint ventures between Pakistan and Chinese corporations should promote strategic development and mutual assistance. China is rapidly technologically advancing and therefore business collaboration should bring this knowhow on our doorsteps.

The expected transfer of technology can provide a much-needed boost of the development and modernization of the SME sector which is critically required. CPEC is not only a short term economic growth booster, but its impact is far reaching in future. The development of infrastructure, energy and communication will provide much needed impetus to the growth of capital formation, productivity growth and employment.

The performance of Textile sector remained subdued on account of lackluster performance of cotton yarn and cotton cloth. The production of cotton declined by 29 percent during last year while it recorded an increase of 7.6 percent in FY 2017 along with rise in cotton prices in international market. Export bailout package for textile bode well for its performance in future.

Financial and operational performance

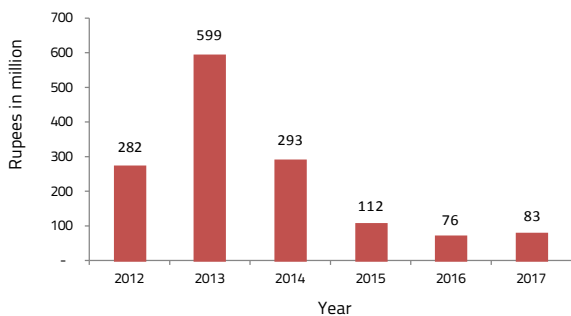
Financial year 2016-17 again remained challenging for textile sector like past two years. We closed the year FY 2016-17 with a positive bottom line despite adverse market trends. During the year ending June 30, 2017 your company's profit after taxation stood at Rs. 82.769 million as compared to profit of Rs. 75.746 million in the corresponding year.

Company's Sales revenue for the year 2017 stood Rs. 9,049.707 million against Rs. 8,289.147 million in 2016. During the year under review average cotton prices increased to Rs. 6300 per mound as compared to Rs. 5650 per mound in 2017. Fuel and power cost increased in view of upward trend in oil prices while salaries and wages expenses increased due to increase in minimum wage rate. Stores, spare parts, and loose tools, processing and conversion charges remained downward in view of better management controls and low rate of inflation factor. Financial cost increased to Rs.134.378 million in the year 2017 from Rs. 96.484 million in 2016 in view of maintaining higher level of raw material inventories as compared to corresponding year and delay in getting dutydrawback.

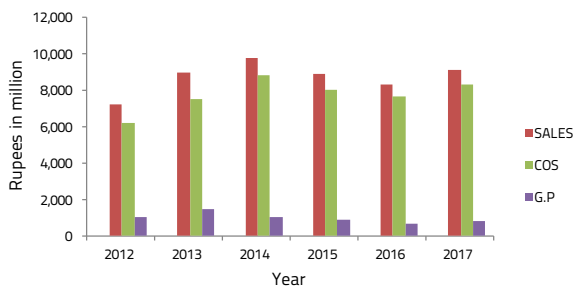
Management of Your company is constantly focusing on Balancing Modernization and Replacement (BMR) of its plant and machinery and enhancement of spinning capacity of existing spinning units. During the year under review, you company opened letters of credit for import of eight draw frame machines, five Ring Frames machines comprising 9120 spindles, 5 auto cone machines which are in process of commissioning in first quarter of next financial year. Letter of credit has also been opened for two draw frames machines, 8 ring frame machines comprising 14,592 spindles and 8 Auto cone machines in first quarter of forthcoming financial year. Your company has also added 32 shuttle less looms in new weaving unit during the year under review.

Chairman's Review

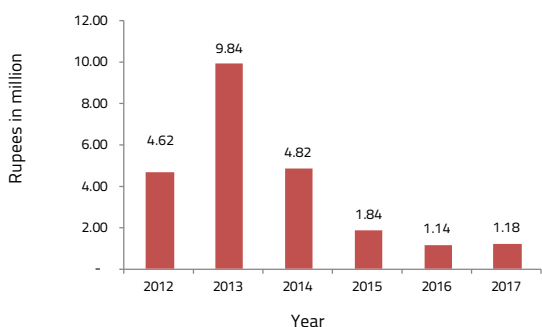
Profit after taxation



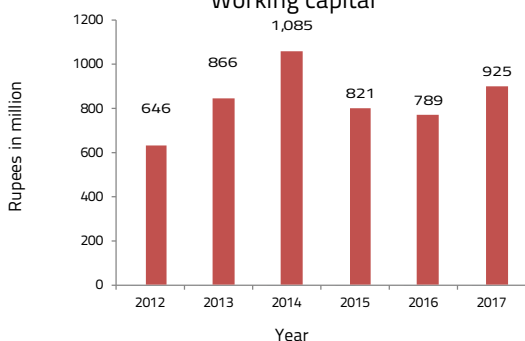
Sales, Cost and G.P



EPS- basic



Working capital



The production of yarn converted into 20s for the year ended June 30, 2017 stood at 29.693 million Kgs against 28.880 million kgs of corresponding year while fabric production stood 3.394 million sq meters (2016: NIL).

Financial Strength

Balance Sheet footing is showing constant sign of improvement over past six years. Total assets of the company stood at Rs. 6,163.736 million in financial years 2017 as compared to Rs. 5,659.795 million in corresponding year.

Liquidity of the company is good enough with current ratio of 1.38. The Debt equity ratio stood at 08:92 in 2017 against 15:85 in 2016 while leverage of the company stood at 0.71 in 2017. Breakup value of a Rs. 10 share is Rs. 42.25 against Rs. 46.85 in last year. All balance sheets ratios are showing improvement with symptom of growth of the company.

Human Resource

Human Resource Management is fundamental aspect for existence of an entity and for success of its business. We strongly believe that delivery of our growth ambitions is contingent on the quality of our people. Therefore, we remain determined in our motivation of attracting, developing and retaining the best talent while cultivating an enabling environment conducive to innovation and high performance and transforming our people into leaders of tomorrow. We have developed an open and effective environment for our employees where they are given an opportunity to express their ideas which are heard, valued and respected. These ideas lead to innovation, process improvement and ultimately enhance the growth of the company.

Review report on the overall performance of the board

Board of directors, Audit Committee and human source committee's meetings were regularly held during the year. Board as a whole is playing full and constructive part in the development and determination of the company's strategies and policies, and decisions taken by the Board are in the company's best interests and fairly



reflect Board's consensus. Strategies and policies agreed by the Board are being effectively implemented by the Chief Executive and the management. Board have established good corporate governance practices and procedures and promotes the highest standards of integrity and corporate governance throughout the company and particularly at Board level.

Future Outlook

Pakistan textile exports have declined in the last four years due to high business costs. Though Govt is supplying 24 hour LNG supply to textile sector in Punjab but LNG cost



crop during this season (2017-18). Traders and market experts say that the country's cotton crop is likely to improve during this season compared to the previous season mainly due to favorable weather conditions. However there is no doubt that the country's cotton crop would remain lower side during 2017-18 but likely to be better than last season.

economies. Currently yarn sale margins are depressed. Management of your company is closely watching the cotton outlook to procure cotton at minimum rates and is focusing efforts on minimizing cost by enhancing capacity to achieve the favorable financial results of forthcoming financial year.



World economy has grown by 3.1 percent in 2016 and growth is expected to accelerate to 3.5 percent in 2017 according to World Economic Outlook. This acceleration is the result of faster growth in the advanced economies as well as in the emerging market and developing



Jawed Anwar
Chairman

Faisalabad
September 23, 2017

to Punjab based industry is 60% higher than Natural gas supply to SIND and KPK province which is discriminative. The spinning and weaving sectors are backbone of the textile value chain and are facing the brunt of high cost of doing business and this has made them unviable. Government should take steps to provide gas at the regionally competitive rate for viability of the textile industry

The country is expected to get 12.6 million bales of the cotton



Director's Report

In the name of Almighty Allah The Most Gracious, The beneficent, The Merciful



Dear Shareholders,

The Directors' of your company feel pleasure in presenting the annual report together with audited financial statements of the company for the Year Ended June 30, 2017.

Financial Highlights

The financial highlights of the company for the year ended June 30, 2017 are summarized as under:

| | 2017 | 2016 |
|------------------------|---------------------|-----------|
| | Rupees in Thousands | |
| Sales | 9,049,707 | 8,289,147 |
| Gross Profit | 757,547 | 650,889 |
| Profit before Taxation | 151,771 | 86,772 |
| Taxation | 69,002 | 11,026 |
| Profit after taxation | 82,769 | 75,746 |

Dividend:

Board of Directors in their meeting held on September 23, 2017 approved final cash dividend @ 5% (0.50 per share)

Earnings Per Share

Earnings per share for the year ended June 30, 2017 stood at Rs. 1.18 per share as compared to Rs. 1.14 per share in corresponding year.

CORPORATE AND FINANCIAL REPORTING FRAME WORK:

Security and Exchange

Commission of Pakistan framed a code of corporate governance, which was incorporated through the listing regulations of all Stock Exchanges of the country. The Director of your company has ensured implementation of all provisions of the code of corporate governance applicable for the period ended on June 30, 2017.

The review report on Statement of Compliance with the code of corporate governance of Auditors is annexed with this report.

The Directors of the company are pleased to confirm that there is no material departure from the best practices as detailed in the listing regulations.

- The financial statements prepared by the management of J.K. Spinning Mills Limited present fairly its state of affair, the results of its operations, cash flow



Managing Director

- and statement of changes in equity.
- Proper books of accounts of J.K. Spinning Mills Limited have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The system is continuously monitored by internal audit and through other monitoring procedures. The process of monitoring internal control will continue as ongoing process with objective to further strengthen the controls and bring improvement in the system.
- There are no significant doubts upon the company's ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- Detail of significant changes in company's operations during the current year as compared to last year and significant plans and decisions for the future prospects of profits are stated in the Chairman's review as endorsed by directors.
- There is no information and explanation in regard to any contents of modification in the auditor's report;
- There is no default in payment of any debt during the year.
- No material changes and commitments affecting the financial position of the company have been occurred between the end of financial year of the company to which the financial statement relates and the date of report.
- Information about outstanding taxes and levies is given in notes to the accounts.
- Main trends and factors likely to affect the future development, performance and position of the company are stated in chairman's review.
- Company is not carrying out any business activity affecting the environment.
- Key operating results and financial data of last six years in summarized form is



annexed.

- The gain/ (loss) arising out due to exchange rate fluctuations and financing under State Bank of Pakistan circular No. F.E. 25 has been appropriately accounted for as on the date of balance sheet.
- The number of employees as at June 30, 2017 were 2262 (2016: 2341).
- Value of investment of provident fund trust based on audited accounts as on June 30, 2016 is Rs. 190.538 million.
- No trade in shares of the company was carried out during the year by its Directors, CEO, CFO, Company Secretary and their spouses and minor children. Right shares issued by the company was subscribed by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.
- The Statement of pattern of shareholding of the company as at June 30, 2017 is annexed in new form set out in the code of corporate governance.
- Abstract of terms of Mr. Jawed Anwar, Chairman of board of Director's is annexed herewith. There was no change in terms and conditions of Chief Executive and other Director.

Risk Management

The company is conducting business in a challenging environment. Its activities expose it to number of risks including raw material sourcing/ pricing, currency risk, credit risk, liquidity and interest rate risks, Gas and power outage risk and human resource retention and recruitment.

Raw material Risk

Cotton is main raw material of a textile spinning. Inability to procure raw material and increase in prices may adversely influence the operation and profitability of the company. The company aims to use its purchasing power and manage to procure cotton at the start of harvesting season to minimize this risk.

Currency Risk

Exchange rate fluctuation may have impact on financial results. The company mitigates these risks through hedging tools and monitoring payable and receivable in foreign currencies.

Credit Risk

The company's credit exposure to credit risk and impairment relates to its trade debts. This risk is mitigated by the fact that majority of our customers have a strong financial standings and we have a long standing relations with all our customers. We do not expect non performance by these counter parties, hence credit risk is minimal.

Cost and Availability of Funds

It is one of our objectives to safeguard the company's ability as a going concern. Collapse in steady availability of funds and interest rates may adversely affect the liquidity and overall financial conditions. The significant portion of working capital requirements of the company is arranged through short term financing. The company has secured sufficient financing facilities to meet these requirements to mitigate capital risk. We manage the capital structure on the basis of leverage ratio at low level. Interest rates risk is managed through alternative financing.

Power and Gas outage

Smooth operation may get affected due to Gas outage. The company has mitigated this risk through standby arrangements of power supply from FESCO and diesel generators.

Employee Recruitment and Retention

Failure to attract and retain the right peoples may adversely affect the achievement of company goals and plans. A strong emphasis is placed on the company human resource and its skills. We operate the best talent management and human resource instrument to attract, retain, motivate, educate and encourage personnel and staff.



Social responsibility

The company is contributing handsome amount of charity and donations to various institution and reputed healthcare non-profit organizations serving the community.

Name of Director and Board Meeting

During the year under review, four meetings of Board of Directors were held. Attendance position of Board of Directors meetings is as under:

| Name of Director | No. of Meetings Attended |
|--------------------|--------------------------|
| Mr. Jawed Anwar | 04 |
| Mr. Faiq Jawed | 04 |
| Mr. Shaiq Jawed | 02 |
| Mr. Rehan Ashfaq | 04 |
| Mrs. Farhat Jahan | 04 |
| Mrs Sadaf Aamir | 04 |
| Mrs. Nageen Faiq | 03 |
| Mrs. Mahwish Shaiq | 03 |

AUDIT COMMITTEE

The Audit Committee held eight meetings during the year under review, each before the Board of Director's meeting to review the financial statements, internal audit reports and compliance of the corporate governance requirements. These meeting included meeting with external auditors before and after completion of audit and other statutory meetings as required by the code of corporate Governance.

Human Resource Committee

Two meetings of HR committee were held during the year which were attended by all the committee members.

Directors Training

Three director's of the company participated and completed all the requirements of Directors Training Program conducted by Institute of Chartered Accountants of Pakistan in March, 2016 and got certification of Certified Directors to fulfill the requirements of directors training program as required by Code of Corporate Governance. Four directors are exempted due to more than 14 years of education and 15 years of experience on board of listed company.

AUDITORS:

The Auditors M/S Riaz Ahmad & Company, Chartered Accountants, stand retired and being eligible, offer themselves for re-appointment for the next financial year ending on 30-06-2018.

Chairman's Review

The accompanied Chairman's Review deals with principal activities, major business developments and performance of the company during the year under review and future outlook. The directors of the company endorse the contents of review.

Events After Reporting Period

There was no significant event after reporting period which warrants mention in Directors' Report.

ACKNOWLEDGEMENT:

The Directors wish to express their gratitude to our valued clients and bankers for the cooperation extended by them during the course of business activities. The Directors also wish to place on record their appreciation for the hard work and devoted services demonstrated by the staff members and the workers of the company.

For and on behalf of Board of Directors

FAIQ JAWED
Chief Executive Officer

Faisalabad
September 23, 2017

حاصل کئے۔ کمپنی کے چارٹرڈ ایگزیکٹوز چودہ سال کی تعلیم اور پندرہ سال کے تجربہ کی وجہ سے ٹریڈنگ پروگرام سے مستثنیٰ ہیں۔

آڈیٹرز:

آپ کی کمپنی کے موجودہ آڈیٹرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ ریٹائر ہو رہے ہیں اور اہلیت کی بنیاد پر آنے والے مالیاتی سال 30 جون 2018 کے لئے خود کو دوبارہ انتخاب کے لئے پیش کیا ہے۔

چیئر مین کا جائزہ:

چیئر مین کی جائزہ رپورٹ میں کمپنی کی ترقیاتی سرگرمیوں اور آئندہ حالات کا جائزہ پیش کیا گیا ہے۔ آپ کے ڈائریکٹرز اس جائزہ رپورٹ کو سپورٹ کرتے ہیں۔

جائزہ رپورٹ کے بعد کے واقعات:

مالیاتی سال کے اختتام کے بعد ایسا کوئی واقعہ نہیں ہے جس کو ڈائریکٹرز کی رپورٹ میں پیش کیا جائے۔

اعتراف:

آپ کی کمپنی کے ڈائریکٹرز کمپنی کے گاہکوں اور بنکرز کا کمپنی کے کاروبار میں تعاون پر شکر گزار ہیں ڈائریکٹرز کمپنی کے سٹاف اور مزدوروں کی محنت اور کوششوں کو بھی سراہتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز:



فائق جاوید

چیف ایگزیکٹو

فیصل آباد

ستمبر 23، 2017



ملازمین کی ریکروٹمنٹ اور ساتھ رکھنا:

اچھے ملازمین کمپنی کا سرمایہ ہوتے ہیں انہی کی وجہ سے کمپنی اپنے مقاصد حاصل کرتی ہے۔ کمپنی اپنے ملازمین کی صلاحیتوں کو بہتر کرنے پر زور دیتی ہے۔ کمپنی کی کوشش ہوتی ہے کہ وہ اچھے ملازمین کو رکھے اُن کو ٹریننگ دے اور اُن کی حوصلہ افزائی کرے۔ اس طریقے سے کمپنی اچھے ملازمین کے چھوڑ جانے کے خطرہ کو کم کرتی ہے۔

سماجی ذمہ داری:

کمپنی کیونہی کی خدمت کے لئے ہر سال اچھے اداروں کو خیراتی فنڈز دے کر اپنی سماجی ذمہ داری پوری کرتی ہے۔

ڈائریکٹرز کے نام اور بورڈ میٹنگز:

اس سال کے دوران بورڈ کی چار میٹنگز ہوئیں۔ ان میٹنگز میں حاضری کی پوزیشن درج ذیل ہے:

| میتنگز میں حاضری | نام | نمبر شمار |
|------------------|-------------|-----------|
| 04 | جاوید انوار | 1 |
| 04 | فائق جاوید | 2 |
| 02 | شائق جاوید | 3 |
| 04 | ریحان اشفاق | 4 |
| 04 | فرحت جہاں | 5 |
| 04 | صدف عامر | 6 |
| 03 | نگین فائق | 7 |
| 03 | مہوش شائق | 8 |

آڈٹ کمیٹی:

مجوزہ سال کے دوران آڈٹ کمیٹی کی آٹھ میٹنگز ہوئیں، یہ میٹنگز ڈائریکٹرز کی میٹنگ برائے فنانشل سٹیٹمنٹ منظوری، اندرونی آڈٹ کی جائزہ رپورٹ اور کارپوریٹ گورننس کی ہم آہنگی سے پہلے ہوئیں۔ اس کے علاوہ بیرونی آڈیٹرز سے آڈٹ شروع ہونے سے پہلے اور بعد دوسری قانونی میٹنگز شامل ہیں۔

ہیومن ریسورس کمیٹی:

مجوزہ سال کے اندر اس کمیٹی کی دو میٹنگز ہوئیں جن میں تمام ممبرز حاضر تھے۔

ڈائریکٹرز ٹریننگ:

آپ کی کمپنی کے تین ڈائریکٹرز نے انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس کے ٹریننگ پروگرام برائے ڈائریکٹرز منعقدہ مارچ 2016 میں حصہ لیا اور سرٹیفکیٹ

- ♦ پراویڈنٹ فنڈ کی انوسٹمنٹ کی قدر آڈٹ شدہ مالیاتی سال 2016 کے اختتام پر 190.538 ملین روپے تھی۔
- ♦ کمپنی کے ڈائریکٹرز، ای ای او، سی ایف او، سیکریٹری اور ان کے سپاؤسز اور کم عمر بچوں نے کمپنی کے حصص میں کوئی کام نہیں کیا تاہم کمپنی کے ڈائریکٹرز، ای ای او، سی ایف او، سیکریٹری اور ان کے سپاؤسز اور کم عمر بچوں نے کمپنی کی طرف سے اعلان کردہ رائٹ شیئرز لئے ہیں۔
- ♦ کمپنی میں حصص رکھنے کا انداز اسٹیٹمنٹ برائے ختم شدہ سال 30 جون 2017 لف ہذا ہے۔
- ♦ مسٹر جاوید انوار چیئرمین بورڈ آف ڈائریکٹرز کے معاوضہ کی شرائط کی خصوصیات لف ہذا ہیں۔ دوسرے ڈائریکٹرز کی معاوضہ شرائط میں کوئی تبدیلی نہیں آئی ہے۔

ریسک مینجمنٹ:

آپ کی کمپنی مقابلاتی ماحول میں کاروبار کر رہی ہے۔ کمپنی کے کاروبار میں بہت سے خطرات بشمول خام مال لینے کا خطرہ، اس کی قیمتوں میں تبدیلی کا خطرہ، کرنسی میں تبدیلی کا خطرہ، ادھار مال دینے کا خطرہ، بجلی اور گیس کی کمی کا خطرہ اور ملازمین کے چھوڑ جانے کا خطرہ وغیرہ وغیرہ شامل ہیں۔

خام مال کا خطرہ:

کاٹن خام مال کے طور پر سپننگ انڈسٹری میں استعمال ہوتی ہے۔ اگر آپ اس کو بروقت اور اچھی قیمت پر نہ لے سکیں تو کمپنی کا منافع اثر انداز ہو سکتا ہے۔ کمپنی اپنی استعداد کے مطابق کاٹن سینرن کے دوران کاٹن خرید لیتی ہے اور اس کی قیمت میں اضافہ کے خطرہ کو کم کر لیتی ہے۔

کرنسی کا خطرہ:

کرنسی کی قدر میں کمی اور بیشی کمپنی کے منافع پر اثر انداز ہوتی ہے۔ کمپنی ہنگ ٹول استعمال کر کے اس خطرے کو کم کرتی ہے۔

ادھار کا خطرہ:

کمپنی کاروبار میں ادھار پر مال فروخت کرتی ہے اور اس کی وصولیوں کا خطرہ لاحق ہوتا ہے۔ کمپنی ان گاہکوں کے ساتھ کام کرتی ہے جن کی ساکھ اچھی ہو اور وہ بہت سالوں سے کمپنی کے ساتھ کاروبار کر رہے ہوں اس طرح کمپنی یہ خطرہ کم کر لیتی ہے۔

فنڈز کی کمی اور کاسٹ کا خطرہ:

یہ کمپنی کے مقاصد میں شامل ہے کہ وہ مسلسل چلتی رہے۔ فنڈز میں کمی اور اس کے کاسٹ میں اضافہ کا خطرہ ہوتا ہے جو کمپنی کے آپریشنز پر اثر انداز ہو سکتا ہے۔ کمپنی اپنے فنڈز مختلف بینکوں سے چھوٹے عرصے کے لئے ادھار لے کر پورا کرتی ہے۔ کمپنی نے بہت سے بینکوں سے چھوٹے عرصے کی بہت سی لمٹس لی ہوئی جو اس خطرے کو کم کر دیتی ہیں۔ سودز نادہ ہونے کے خطرہ کو حالات کے مطابق کنٹرول کیا جاتا ہے۔

بجلی اور گیس کی کمی کا خطرہ:

گیس کی کمی اور بندش کمپنی کی روانی سے چلنے کی صلاحیت پر اثر انداز ہوتی ہے۔ اس خطرہ کو آپ کی کمپنی نے فیسکو سے اسٹینڈ بائی کنٹریکٹ سے حل کیا ہوا ہے۔



- ♦ کمپنی کی انتظامیہ کی جانب سے تیار کی جانے والی مالیاتی اسٹیٹمنٹ شفافیت کے ساتھ کمپنی کے اسٹیٹمنٹ آف فیئرز، آپریشنز کے نتائج، کیش کا بہاؤ اور ایکویٹی کی تبدیلیوں کو پیش کرتی ہے۔
- ♦ کمپنی اکاؤنٹس کی کتب کو باقاعدہ برقرار رکھتی ہے۔
- ♦ مالیاتی اسٹیٹمنٹ کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مسلسل لاگو کی جاتی ہیں اور اکاؤنٹنگ اسٹیٹمنٹس معقول اور دانشمندانہ اندازوں اور فیصلوں پر مبنی ہیں۔
- ♦ پاکستان میں لاگو ہونے والے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کا مالیاتی اسٹیٹمنٹس کی تیاری میں عمل درآمد کیا گیا ہے۔
- ♦ اندرونی کنٹرول کا نظام بہترین انداز میں مرتب اور لاگو کیا گیا ہے اور ساتھ ساتھ اس کی باقاعدہ نگرانی بھی کی جاتی ہے تاکہ یہ اندرونی کنٹرول اور زیادہ مضبوط ہوں۔
- ♦ کمپنی کے مسلسل چلنے کی اہلیت پر کوئی شک نہیں کیا جاسکتا۔
- ♦ کاپوریت گورننس کی بہترین مشقیں جو لسٹنگ ریگولیشنز میں بیان کی گئی ہیں ان کی کوئی خلاف ورزی نہیں کی گئی۔
- ♦ پچھلے سال کے مقابلے میں کمپنی کے آپریشنز میں بڑی تبدیلیاں، بڑے پلان اور آنے والے دنوں کے منصوبے چیئرمین کی جائزہ رپورٹ میں بیان کئے گئے ہیں۔
- ♦ آڈیٹرز کی رپورٹ میں کوئی بے ضابطگی کی اطلاع نہیں ہے۔
- ♦ کمپنی نے سال کے دوران اپنی ادائیگیوں میں کوئی ڈفالٹ نہیں کیا ہے۔
- ♦ کمپنی کے مالیاتی سال کے اختتام سے لے کر اس رپورٹ کے شائع ہونے تک کمپنی کی مالیاتی حیثیت میں کوئی تبدیلی نہ آئی ہے۔
- ♦ ٹیکسز اور ڈیوٹیوں کی تفصیلات اکاؤنٹس کے نوٹس میں درج ہیں۔
- ♦ کمپنی کے کاروبار ماحولیاتی تبدیلیوں پر براثر نہیں ڈال رہے۔
- ♦ چھ سال کے بڑے آپریٹنگ نتائج اور مالیاتی اعداد و شمار لف ہڈا ہیں۔
- ♦ سٹیٹ بینک آف پاکستان کے سرکلر نمبر ایف ای 25 فنانسنگ پرائیکٹس ریٹ میں نفع و نقصان کتابوں میں شامل ہے۔
- ♦ سال 2017 کے اختتام پر کمپنی کے ملازمین کی تعداد 2262 ہے جبکہ پچھلے سال یہ تعداد 2341 تھی۔

ڈائریکٹر رپورٹ برائے حصص یافتگان:

شروع اللہ کے نام سے جو نہایت مہربان اور رحم والا ہے۔

معزز حصص یافتگان،

آپ کی کمپنی کے ڈائریکٹرز کے 30 جون 2017 کی ختم ہونے والے سال کے آڈٹ شدہ مالیاتی حسابات کے ساتھ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی شہ سُر خیاں:

مالیاتی سال کے 30 جون 2017 کی مالیاتی نتائج کی جھلکیاں درج ذیل ہیں:

| تفصیلات | روپے ہزار میں | روپے ہزار میں |
|-------------------|---------------|---------------|
| | 2016 | 2017 |
| فروخت | 8,289,147 | 9,049,707 |
| مجموعی منافع | 650,889 | 757,547 |
| قبل از ٹیکس منافع | 86,772 | 151,771 |
| ٹیکس | 11,026 | 69,002 |
| بعد از ٹیکس منافع | 75,746 | 82,769 |

ڈیویڈنڈ:

بورڈ آف ڈائریکٹرز نے اپنی میٹنگ منعقدہ 23 ستمبر 2017 میں 5% حتمی نقد ڈیویڈنڈ (پچاس پیسے فی شیئر) برائے مالیاتی سال 2017 منظور کیا ہے۔

آمدنی فی شیئر:

فی شیئر آمدنی برائے مالیاتی سال 30 جون 2017 میں 1.18 روپے فی شیئر رہی۔ مقابلتا پچھلے سال کی فی شیئر آمدن 1.14 روپے فی شیئر تھی۔

کارپوریٹ گورننس سے ہم آہنگی:

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے شاک ایکسچینج کے ضابطہ کار کے ذریعے کارپوریٹ گورننس کا ضابطہ بنایا ہے۔ آپ کی کمپنی کے ڈائریکٹرز نے کارپوریٹ گورننس کے تمام اصولوں کو اپنایا ہے۔

کوڈ آف کارپوریٹ گورننس پر آڈیٹرز کی جائزہ شدہ رپورٹ لف ہذا ہے۔

کمپنی کے ڈائریکٹرز اس بات کی خوشی محسوس کرتے ہیں کہ لسٹنگ ریگولیشنز کی بنائی ہوئی بیسٹ پریکٹسز کی پوری تعمیل کی ہے۔



Vertical Analysis

| | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | |
|-------------------------------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|
| | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % |
| BALANCE SHEET | | | | | | | | | | |
| TOTAL EQUITY | 3,313,122 | 54% | 3,032,098 | 54% | 2,931,496 | 60% | 2,880,464 | 56% | 3,008,247 | 55% |
| NON-CURRENT LIABILITIES | 413,066 | 7% | 512,065 | 9% | 191,472 | 4% | 524,271 | 10% | 690,517 | 13% |
| CURRENT LIABILITIES | 2,437,548 | 40% | 2,115,632 | 37% | 1,770,692 | 36% | 1,774,742 | 34% | 1,764,128 | 32% |
| TOTAL LIABILITIES | 2,850,614 | 46% | 2,627,697 | 46% | 1,962,164 | 40% | 2,299,013 | 44% | 2,454,645 | 45% |
| TOTAL EQUITY AND LIABILITIES | 6,163,736 | 100% | 5,659,795 | 100% | 4,893,660 | 100% | 5,179,477 | 100% | 5,462,892 | 100% |
| ASSETS | | | | | | | | | | |
| NON-CURRENT ASSETS | 2,801,490 | 45% | 2,755,096 | 49% | 2,302,278 | 47% | 2,320,164 | 45% | 2,832,655 | 52% |
| CURRENT ASSETS | 3,362,246 | 55% | 2,904,699 | 51% | 2,591,382 | 53% | 2,859,313 | 55% | 2,630,237 | 48% |
| TOTAL ASSETS | 6,163,736 | 100% | 5,659,795 | 100% | 4,893,660 | 100% | 5,179,477 | 100% | 5,462,892 | 100% |
| PROFIT AND LOSS ACCOUNT | | | | | | | | | | |
| SALES | 9,049,707 | 100.00% | 8,289,147 | 100.00% | 8,813,412 | 100.00% | 9,734,861 | 100.00% | 8,918,973 | 100.00% |
| COST OF SALES | 8,292,160 | 91.63% | 7,638,258 | 92.15% | 7,971,024 | 90.44% | 8,765,635 | 90.04% | 7,476,268 | 83.82% |
| GROSS PROFIT | 757,547 | 8.37% | 650,889 | 7.85% | 842,388 | 9.56% | 969,226 | 9.96% | 1,442,705 | 16.18% |
| DISTRIBUTION COST | 269,522 | 2.98% | 275,913 | 3.33% | 325,709 | 3.70% | 343,996 | 3.53% | 404,019 | 4.53% |
| ADMINISTRATIVE EXPENSES | 230,731 | 2.55% | 212,147 | 2.56% | 199,301 | 2.26% | 179,530 | 1.84% | 164,422 | 1.84% |
| OTHER OPERATING EXPENSES | 50,490 | 0.56% | 11,948 | 0.14% | 18,342 | 0.21% | 31,780 | 0.33% | 45,871 | 0.51% |
| | 550,743 | 6.09% | 500,008 | 6.03% | 543,352 | 6.17% | 555,306 | 5.70% | 614,312 | 6.89% |
| | 206,804 | 2.29% | 150,881 | 1.82% | 299,036 | 3.39% | 413,920 | 4.25% | 828,393 | 9.29% |
| OTHER OPERATING INCOME | 79,345 | 0.88% | 32,375 | 0.39% | 24,594 | 0.28% | 158,196 | 1.63% | 38,319 | 0.43% |
| PROFIT FROM OPERATIONS | 286,149 | 3.16% | 183,256 | 2.21% | 323,630 | 3.67% | 572,116 | 5.88% | 866,712 | 9.72% |
| FINANCE COST | 134,378 | 1.48% | 96,484 | 1.16% | 147,701 | 1.68% | 221,186 | 2.27% | 216,220 | 2.42% |
| PROFIT BEFORE TAXATION | 151,771 | 1.68% | 86,772 | 1.05% | 175,929 | 2.00% | 350,930 | 3.60% | 650,492 | 7.29% |
| PROVISION FOR TAXATION | 69,002 | 0.76% | 11,026 | 0.13% | 63,994 | 0.73% | 57,668 | 0.59% | 51,137 | 0.57% |
| PROFIT AFTER TAXATION | 82,769 | 0.91% | 75,746 | 0.91% | 111,935 | 1.27% | 293,262 | 3.01% | 599,355 | 6.72% |

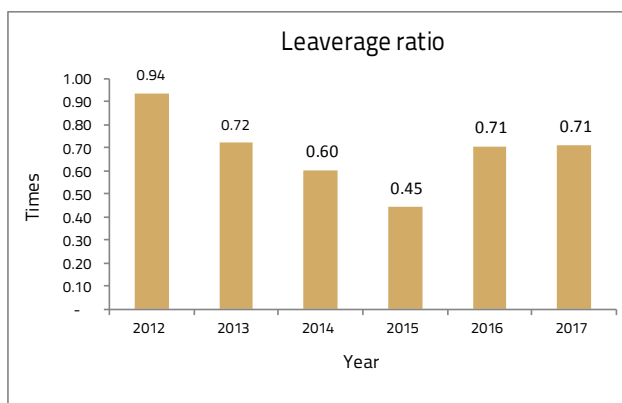
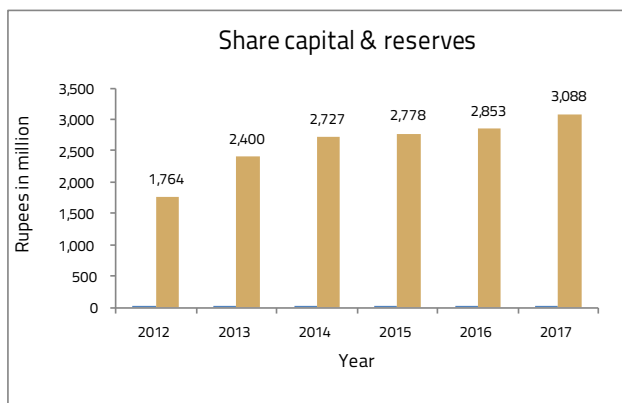
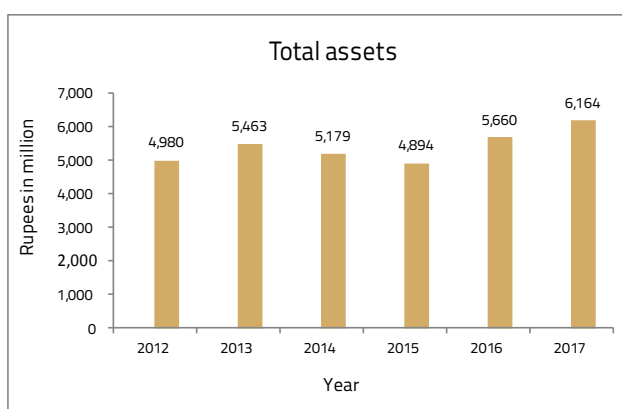
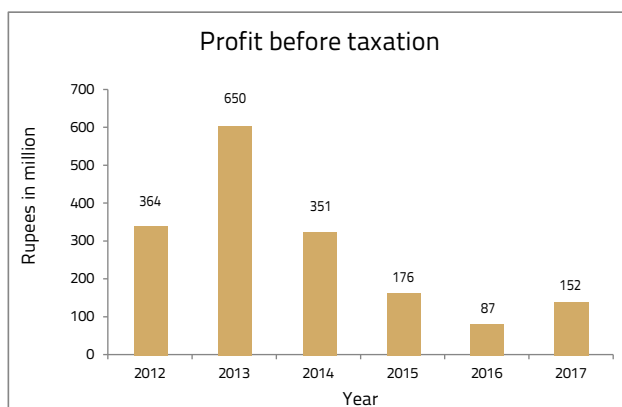
Horizontal Analysis Based on Year 2013

| | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | |
|-------------------------------------|------------------|-------------|------------------|-------------|------------------|------------|------------------|------------|------------------|-------------|
| | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % |
| BALANCE SHEET | | | | | | | | | | |
| TOTAL EQUITY | 3,313,122 | 110% | 3,032,098 | 101% | 2,931,496 | 97% | 2,880,464 | 96% | 3,008,247 | 100% |
| NON-CURRENT LIABILITIES | 413,066 | 60% | 512,065 | 74% | 191,472 | 28% | 524,271 | 76% | 690,517 | 100% |
| CURRENT LIABILITIES | 2,437,548 | 138% | 2,115,632 | 120% | 1,770,692 | 100% | 1,774,742 | 101% | 1,764,128 | 100% |
| TOTAL LIABILITIES | 2,850,614 | 116% | 2,627,697 | 107% | 1,962,164 | 80% | 2,299,013 | 94% | 2,454,645 | 100% |
| TOTAL EQUITY AND LIABILITIES | 6,163,736 | 113% | 5,659,795 | 104% | 4,893,660 | 90% | 5,179,477 | 95% | 5,462,892 | 100% |
| ASSETS | | | | | | | | | | |
| NON-CURRENT ASSETS | 2,801,490 | 99% | 2,755,096 | 97% | 2,302,278 | 81% | 2,320,164 | 82% | 2,832,655 | 100% |
| CURRENT ASSETS | 3,362,246 | 128% | 2,904,699 | 110% | 2,591,382 | 99% | 2,859,313 | 109% | 2,630,237 | 100% |
| TOTAL ASSETS | 6,163,736 | 113% | 5,659,795 | 104% | 4,893,660 | 90% | 5,179,477 | 95% | 5,462,892 | 100% |
| PROFIT AND LOSS ACCOUNT | | | | | | | | | | |
| SALES | 9,049,707 | 101% | 8,289,147 | 93% | 8,813,412 | 99% | 9,734,861 | 109% | 8,918,973 | 100% |
| COST OF SALES | 8,292,160 | 111% | 7,638,258 | 102% | 7,971,024 | 107% | 8,765,635 | 117% | 7,476,268 | 100% |
| GROSS PROFIT | 757,547 | 53% | 650,889 | 45% | 842,388 | 58% | 969,226 | 67% | 1,442,705 | 100% |
| DISTRIBUTION COST | 269,522 | 67% | 275,913 | 68% | 325,709 | 81% | 343,996 | 85% | 404,019 | 100% |
| ADMINISTRATIVE EXPENSES | 230,731 | 140% | 212,147 | 129% | 199,301 | 121% | 179,530 | 109% | 164,422 | 100% |
| OTHER OPERATING EXPENSES | 50,490 | 110% | 11,948 | 26% | 18,342 | 40% | 31,780 | 69% | 45,871 | 100% |
| | 550,743 | 90% | 500,008 | 81% | 543,352 | 88% | 555,306 | 90% | 614,312 | 100% |
| | 206,804 | 25% | 150,881 | 18% | 299,036 | 36% | 413,920 | 50% | 828,393 | 100% |
| OTHER OPERATING INCOME | 79,345 | 207% | 32,375 | 84% | 24,594 | 64% | 158,196 | 413% | 38,319 | 100% |
| PROFIT FROM OPERATIONS | 286,149 | 33% | 183,256 | 21% | 323,630 | 37% | 572,116 | 66% | 866,712 | 100% |
| FINANCE COST | 134,378 | 62% | 96,484 | 45% | 147,701 | 68% | 221,186 | 102% | 216,220 | 100% |
| PROFIT BEFORE TAXATION | 151,771 | 23% | 86,772 | 13% | 175,929 | 27% | 350,930 | 54% | 650,492 | 100% |
| PROVISION FOR TAXATION | 69,002 | 135% | 11,026 | 22% | 63,994 | 125% | 57,668 | 113% | 51,137 | 100% |
| PROFIT AFTER TAXATION | 82,769 | 14% | 75,746 | 13% | 111,935 | 19% | 293,262 | 49% | 599,355 | 100% |

Key Operating and Financial Results

for last six years

| PARTICULARS | RUPEES in 000 | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|-------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | |
| SUMMARIZED BALANCE SHEET | | | | | | | |
| NON-CURRENT ASSETS | | | | | | | |
| Property, Plant And Equipment | 2,801,243 | 2,748,664 | 2,290,022 | 2,302,819 | 2,822,964 | 2,841,761 | |
| Long Term Loans | - | - | - | 1,727 | 387 | 392 | |
| Other Non-Current Assets | 247 | 6,432 | 12,256 | 15,618 | 9,304 | 675 | |
| CURRENT ASSETS | | | | | | | |
| Stores, Spares And Loose Tools | 73,172 | 65,643 | 65,076 | 61,125 | 44,926 | 37,082 | |
| Stock In Trade | 1,925,999 | 1,756,108 | 1,484,015 | 1,647,836 | 1,592,021 | 1,278,678 | |
| Trade Debts | 688,176 | 513,799 | 593,632 | 691,322 | 612,751 | 451,143 | |
| Other Current Assets | 674,899 | 569,149 | 448,659 | 459,030 | 380,539 | 370,479 | |
| TOTAL ASSETS | 6,163,736 | 5,659,795 | 4,893,660 | 5,179,477 | 5,462,892 | 4,980,210 | |
| Share Holders' Equity | 3,088,491 | 2,853,464 | 2,777,718 | 2,726,686 | 2,400,047 | 1,763,656 | |
| Surplus on Revaluation of Operating Fixed Assets | 224,631 | 178,634 | 153,778 | 153,778 | 608,200 | 966,759 | |
| NON-CURRENT LIABILITIES | | | | | | | |
| Long Term Financing | 281,457 | 358,291 | - | 10,715 | 86,818 | 194,163 | |
| Director's Loan | - | - | - | 300,000 | 300,000 | 300,000 | |
| Liabilities Against Assets Subject To Finance Lease | - | 7,158 | 21,973 | 26,887 | 25,875 | - | |
| Deferred Tax | 131,574 | 145,824 | 167,865 | 184,718 | 277,824 | 264,216 | |
| Other Non-Current Liabilities | 35 | 792 | 1,634 | 1,951 | - | - | |
| CURRENT LIABILITIES | | | | | | | |
| Short Term Borrowings | 1,730,524 | 1,517,083 | 1,191,193 | 1,202,486 | 1,194,856 | 1,032,246 | |
| Current Portion Of Long Term Liabilities | 186,506 | 135,519 | 23,245 | 102,360 | 124,999 | 125,561 | |
| Other Current Liabilities | 520,518 | 463,030 | 556,254 | 469,896 | 444,273 | 333,609 | |
| Total Equity And Liabilities | 6,163,736 | 5,659,795 | 4,893,660 | 5,179,477 | 5,462,892 | 4,980,210 | |
| PROFIT & LOSS | | | | | | | |
| Sales | 9,049,707 | 8,289,147 | 8,813,412 | 9,734,861 | 8,918,973 | 7,193,895 | |
| Gross Profit | 757,547 | 650,889 | 842,388 | 969,226 | 1,442,705 | 1,017,273 | |
| EBITDA | 544,646 | 421,945 | 548,337 | 841,572 | 1,011,933 | 736,629 | |
| Profit From Operations | 286,149 | 183,256 | 323,630 | 572,116 | 866,712 | 605,624 | |
| Profit Before Tax | 151,771 | 86,772 | 175,929 | 350,930 | 650,492 | 364,079 | |
| Profit After Tax | 82,769 | 75,746 | 111,935 | 293,262 | 599,355 | 281,585 | |
| CASH FLOWS | | | | | | | |
| Cash Flow From Operating Activities | (7,742) | (113,065) | 716,386 | 285,417 | 373,240 | 341,837 | |
| Cash Flow From Investing Activities | (304,129) | (669,963) | (184,617) | (222,047) | (437,276) | (387,618) | |
| Cash Flow From Financing Activities | 332,678 | 781,640 | (489,440) | (95,088) | 77,833 | 30,708 | |
| Changing In Cash & Cash Equivalents | 20,807 | (1,388) | 42,329 | (31,718) | 13,797 | (15,073) | |
| Cash & Cash Equivalents - Year End | 89,044 | 68,237 | 69,625 | 27,296 | 59,014 | 45,217 | |
| PROFITABILITY RATIOS | | | | | | | |
| Gross Profit | % | 8.37 | 7.85 | 9.56 | 9.96 | 16.18 | 14.14 |
| EBITDA To Sales | % | 6.02 | 5.09 | 6.22 | 8.64 | 11.35 | 10.24 |
| Pre Tax Profit | % | 1.68 | 1.05 | 2.00 | 3.60 | 7.29 | 5.06 |
| After Tax Profit | % | 0.91 | 0.91 | 1.27 | 3.01 | 6.72 | 3.91 |
| Return On Equity | % | 2.68 | 2.65 | 4.03 | 10.76 | 24.97 | 15.97 |
| Return On Capital Employed | % | 2.46 | 2.36 | 4.03 | 10.71 | 24.10 | 14.38 |
| Dividend Rate (Cash) | % | 5.00 | 5.00 | 10.00 | - | 50.00 | 25.00 |
| Leverage Ratio | | 0.71 | 0.71 | 0.45 | 0.60 | 0.72 | 0.94 |
| LIQUIDITY RATIOS | | | | | | | |
| Current Ratio | Times | 1.38 | 1.37 | 1.46 | 1.61 | 1.49 | 1.43 |
| Quick Ratio | Times | 0.56 | 0.51 | 0.59 | 0.65 | 0.56 | 0.55 |
| Cash To Current Liabilities | Times | 0.04 | 0.03 | 0.04 | 0.02 | 0.03 | 0.03 |
| Cash Flows From Operation To Sales | Times | (0.00) | (0.01) | 0.08 | 0.03 | 0.04 | 0.05 |



Statement of Compliance with the Best Practices Code of Corporate Governance

For the Year Ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of Independent Director / Non-Executive Directors and Directors representing the minority interest on its Board of Directors (The Board).

At present the Board of Directors includes:-

| Category | Names |
|------------------------|---------------------------|
| Non-Executive Director | Mr. Jawed Anwar, Chairman |
| | Mrs. Farhat Jehan |
| | Mrs. Nageen Faiq |
| | Mrs. Mahwish Shaiq |
| | Mrs. Sadaf Aamir |
| Executive Directors | Mr. Faiq Jawed, CEO |
| | Mr. Shaiq Jawed, Director |
| Independent Director | Mr. Rehan Ashfaq |

The independent Director meets the criteria of independence under Clause 5.19.1 (b) of the CCG.

2. The Directors have confirmed that none of them is serving as director in more than seven listed companies, including this Company.
3. All the Resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI), or a Non-Banking Financial Institution (NBFI) or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy was occurred on the board during the period under report.
5. The Company has prepared and updated a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement and review and approves business plans, overall corporate strategy and significant policies of the Company. A complete record of particulars of

significant policies and procedures, along with the dates on which they were approved or amended has been maintained. The corporate strategy of the company is reviewed and approved by the Board along with the Annual Plan.

The Company has documented the following policies and statements in compliance with the Code of Corporate.

- a. Our Vision
 - b. Our Mission
 - c. Code of Conduct & Ethical Practices
 - d. Internal Audit Policy
 - e. Our Values
 - f. Genial Ledger Financial Closing Policy
 - g. Fixed Assets capitalization Policy
 - h. Related Party Transaction Policy
 - i. Human Resource Policies
 - j. I.T Policy
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors have been taken by the Board / Share holders.
 8. The meetings of the Board were presided over by the Chairman who is a non-executive Director and, in his absence, 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 seven days before the date of meetings. The minutes of all the meetings were appropriately recorded and circulated.
 9. The Board of Directors were updated on changes in the Listing Regulations of the Pakistan Stock Exchange Ltd., the Memorandum and Articles of Association and the Code of Corporate Governance and they are well versed with their duties and responsibilities. The management keeps the Board abreast with the latest changes in the business environment and regulatory framework.
 10. Three directors have acquired the formal training



Statement of Compliance with the Best Practices Code of Corporate Governance

For the Year Ended June 30, 2017

- certificate and the four Director have more than 14 years of Education and 15 years of experience on the Board of at least one listed Company, in terms of Rule 5.19.7 of the Listing Regulations of Pakistan Stock Exchange / Code of Corporate Governance. The Company however, intends to facilitate further training for the Directors in near future as per the CCG.
11. The Board approved appointment, remuneration and terms & conditions of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit. However there was no new appointment during the year.
 12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
 13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
 14. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
 15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
 16. The Board has formed an Audit Committee. It comprises of three members, two of them are non-executive directors and Chairman is Independent Director.
 17. The Meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
 18. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, one member as Executive Director; two members of the Committee are Non-Executive Directors including the Chair Person. The terms of reference of Human Resource and Remuneration Committee has been approved by the Board of Directors and advised to the committee for compliance.
 19. The Board has set-up an effective Internal Audit Function, which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
 20. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
 21. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
 22. The "Closed Period" prior to the announcement of the 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 Pakistan Stock Exchange Limited.
 23. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
 24. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by the Company Secretary in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
 25. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with, except for those stated above towards which reasonable progress is being made by the Company for compliance by the end of next Accounting Year

ON BEHALF OF THE BOARD OF DIRECTORS


FAIQ JAWED
Chief Executive Officer


JAWED ANWAR
Chairman

Date: September 23, 2017
Faisalabad

Review Report to the Members

on Statement of Compliance with the Best Practices of code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of J.K. SPINNING MILLS LIMITED ("the Company") for the year ended 30 June 2017 to comply with the requirements of Clause 5.19.24 (b) of the Rule Book of Pakistan Stock Exchange Limited, where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Mubashar Mehmood

Date: 23, September 2017

Faisalabad



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 31st ANNUAL GENERAL MEETING OF THE MEMBERS OF J. K. SPINNING MILLS LIMITED WILL BE HELD ON MONDAY 30th OCTOBER, 2017 AT 10.00 A.M. AT THE REGISTERED OFFICE OF THE COMPANY SITUATED AT 29 K.M, SHEIKHUPURA ROAD, KHURRIANWALA, FAISALABAD TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To confirm the minutes of the 30th Annual General Meeting held on 29th October, 2016.
2. To receive, consider and adopt the Annual Audited Accounts alongwith the reports of Directors' and Auditors of the company for the year ended 30th June, 2017.
3. To consider, approve and declare Final Cash Dividend at Rs. 0.5/- per share @ 5 % to Ordinary Share Holders for the year ended 30th June, 2017 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2017-2018 and fix their remuneration. The present Auditors M/s. Riaz Ahmad & Company., Chartered Accountants, being eligible offer themselves for reappointment.
5. To transact any other business or businesses with the permission of the Chairman.

SPECIAL RESOLUTION:

6. To Authorize Chief Executive Officer of the Company to approve Related Party Transactions for sale and purchase of goods/ Services to / from J.K. Tech (Pvt.) Limited & J.K. Agriculture Farms (Pvt.) Limited – associated companies for the year ending June 30, 2018 by passing the following resolution with or without modification.

"Resolved that the Chief Executive of the Company be and is hereby authorized to approve the Related Party Transactions for sale and purchase of goods/ Services to/from J.K. Tech (Pvt.) Limited for Rs: 200 Million & to/ from J.K. Agriculture Farms (Pvt.) Limited for Rs: 100 Million – associated companies from time to time for the year ending June 30, 2018 and take any and all actions and sign any and all such documents as may be required in this regard."

BY THE ORDER OF THE BOARD

FAISALABAD:
Dated: 23-09-2017

SYED HUSSAIN SHAHID MANSOOR NAQVI
COMPANY SECRETARY

STATEMENT OF MATERIAL FACTS UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017 RELATING TO THE SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING TO BE HELD ON OCTOBER 30, 2017:

J.K. Tech (Pvt.) Ltd and J.K. Agriculture Farms (Pvt.) Ltd are Associated Companies of J.K. Spinning Mills Ltd by virtue of common Directorship.

J.K. Spinning Mills Ltd has investment of 750 shares in J.K. Tech (Pvt.) Ltd representing 50% of total paid up capital of J.K. Tech (Pvt.) Ltd. Mr. Jawed Anwar is Nominee Director on behalf of J.K. Spinning Mills Ltd.

Mr. Jawed Anwar, Mr. Faiq Jawed, Mr. Shaiq Jawed and Mrs. Sadaf Aamir & Mrs. Farhat Jehan are common directors of J.K. Spinning Mills Ltd and having following share holdings in J.K. Agriculture Farms (Pvt.) Ltd:

| | Name | % of shareholding |
|----|----------------------------|-------------------|
| 1. | Mr. Jawed Anwar, Director | 65% |
| 2. | Mr. Faiq Jawed, Director | 10% |
| 3. | Mr. Shaiq Jawed, Director | 10% |
| 4. | Mrs. Sadaf Aamir, Director | 5% |
| 5. | Mrs. Farhat Jehan, Spouse | 10% |

Notice of Annual General Meeting

Transactions with related parties (Associated Companies) are carried out in normal course of business and at "Arm's Length Basis".

The Directors, Sponsors and majority shareholders have no interest, directly or indirectly in J.K. Agriculture Farms (Pvt.) Ltd except to the extent of their / Spouse's shareholding as disclosed above. Nominee Director, Mr. Jawed Anwar has no interest, directly or indirectly in J.K. Tech (Pvt.) Ltd.

NOTES:

1. Book Closure:

The share Transfer Books of the Company will remain closed from 21st October 2017 to 30th October 2017 (both days inclusive). Transfers received in order at Share Registrar's Office, Orient Software & Management Services (Pvt.) Ltd., 35-Z Ameer Plaza, Opposite Mujahid Hospital commercial Centre, Madina Town, Faisalabad by the close of business on 20th October 2017, will be treated in time to attend the Annual General Meeting and for their entitlements.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote instead of him/her. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.

For CDC Account Holders/Corporate Entities:

In addition to the above the following requirements have to be met:

3. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
4. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
5. The proxy shall produce his original NIC or original passport at the time of meeting.
6. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the company.
7. Shareholders are informed that rate of withholding tax for non filers is 20% against 15% for filers of income tax return. The shareholders are advised to e-file their returns as the Department places the names of the e-filers on their website and to provide their NTN to the Share Registrar of the Company for availing the benefits of lower withholding rate.
8. In term of section 242 of Companies Act, 2017, listed Companies are required to pay cash dividend only through electronic mode directly into the bank account designated by the entitled shareholders. In order to comply with this requirement, shareholders are therefore requested to immediately provide the dividend mandate (bank account details) to the share registrar of the company in case of physical shares and to the CDC in case shares are held electronically:
9. Shareholders are requested to provide copies of their valid CNICs, mandatory for dispatch of dividend warrants and also promptly notify any changes in their addresses:
10. Form of proxy is enclosed herewith.



Auditors' Report to the Members

We have audited the annexed balance sheet of J.K. SPINNING MILLS LIMITED ("the Company") as at 30 June 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Riaz Ahmad & Co

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Mubashar Mehmood

Date: 23, September 2017

FAISALABAD

Balance Sheet

As at June 30, 2017

| | NOTE | 2017 (RUPEES IN THOUSAND) | 2016 (RUPEES IN THOUSAND) |
|---|------|------------------------------|------------------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital | | | |
| 96 000 000 (2016: 96 000 000) ordinary shares of Rupees 10 each | | 960,000 | 960,000 |
| Issued, subscribed and paid up share capital | 3 | 730,839 | 609,033 |
| Reserves | 4 | 2,357,652 | 2,244,431 |
| Total equity | | 3,088,491 | 2,853,464 |
| Surplus on revaluation of freehold land | 5 | 224,631 | 178,634 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Long term financing | 6 | 281,457 | 358,291 |
| Liabilities against assets subject to finance lease | 7 | - | 7,158 |
| Deferred income on sale and leaseback | | 35 | 792 |
| Deferred income tax liability | 8 | 131,574 | 145,824 |
| | | 413,066 | 512,065 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | 424,569 | 413,212 |
| Accrued mark-up | 10 | 17,061 | 16,254 |
| Short term borrowings | 11 | 1,730,524 | 1,517,083 |
| Current portion of non-current liabilities | 12 | 186,506 | 135,519 |
| Provision for taxation | | 78,888 | 33,564 |
| | | 2,437,548 | 2,115,632 |
| TOTAL LIABILITIES | | 2,850,614 | 2,627,697 |
| CONTINGENCIES AND COMMITMENTS | 13 | | |
| TOTAL EQUITY AND LIABILITIES | | 6,163,736 | 5,659,795 |

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


Jawed Anwar
Chairman


Faiq Jawed
Chief Executive Officer


Mrs. Sadaf Aamir
Director


Ghulam Muhammad
Chief Financial Officer



Balance Sheet

As at June 30, 2017

| | NOTE | 2017 (RUPEES IN THOUSAND) | 2016 |
|-------------------------------------|------|------------------------------|------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | 2,801,243 | 2,748,664 |
| Long term investment | 15 | - | - |
| Long term deposits and prepayments | 16 | 247 | 6,432 |
| | | 2,801,490 | 2,755,096 |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | 17 | 73,172 | 65,643 |
| Stock-in-trade | 18 | 1,925,999 | 1,756,108 |
| Trade debts | 19 | 688,176 | 513,799 |
| Loans and advances | 20 | 41,640 | 50,197 |
| Short term deposits and prepayments | 21 | 11,541 | 13,880 |
| Other receivables | 22 | 103,280 | 41,684 |
| Tax refunds due from the Government | 23 | 396,121 | 395,028 |
| Short term investments | 24 | 33,273 | 123 |
| Cash and bank balances | 25 | 89,044 | 68,237 |
| | | 3,362,246 | 2,904,699 |
| TOTAL ASSETS | | 6,163,736 | 5,659,795 |

Jawed Anwar
Chairman

Faiq Jawed
Chief Executive Officer

Mrs. Sadaf Aamir
Director

Ghulam Muhammad
Chief Financial Officer

Profit and Loss Account

For the Year ended June 30, 2017

| | NOTE | 2017 (RUPEES IN THOUSAND) | 2016 |
|--|------|------------------------------|-------------------------|
| REVENUE | 26 | 9,049,707 | 8,289,147 |
| COST OF SALES | 27 | (8,292,160) | (7,638,258) |
| GROSS PROFIT | | 757,547 | 650,889 |
| DISTRIBUTION COST | 28 | (269,522) | (275,913) |
| ADMINISTRATIVE EXPENSES | 29 | (230,731) | (212,147) |
| OTHER EXPENSES | 30 | (50,490) | (11,948) |
| OTHER INCOME | 31 | 79,345 | 32,375 |
| FINANCE COST | 32 | (134,378) | (96,484) |
| PROFIT BEFORE TAXATION | | 151,771 | 86,772 |
| TAXATION | 33 | (69,002) | (11,026) |
| PROFIT AFTER TAXATION | | 82,769 | 75,746 |
| EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES) | 34 | 1.18 | Restated 1.14 |

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



Jawed Anwar
Chairman



Faiq Jawed
Chief Executive Officer



Mrs. Sadaf Aamir
Director



Ghulam Muhammad
Chief Financial Officer



Statement of Comprehensive Income

For the Year ended June 30, 2017

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|---|------------------------------|---------------|
| PROFIT AFTER TAXATION | 82,769 | 75,746 |
| OTHER COMPREHENSIVE INCOME | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Surplus on revaluation of freehold land (i) | - | - |
| Items that may be reclassified subsequently to profit or loss | - | - |
| Other comprehensive income for the year | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 82,769 | 75,746 |

(i) Surplus on revaluation of freehold land is presented under separate head below equity in accordance with the requirements of section 235 of the repealed Companies Ordinance, 1984.

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

Jawed Anwar
Chairman

Faiq Jawed
Chief Executive Officer

Mrs. Sadaf Aamir
Director

Ghulam Muhammad
Chief Financial Officer

Cash Flow Statement

For the Year ended June 30, 2017

| | NOTE | 2017 (RUPEES IN THOUSAND) | 2016 (RUPEES IN THOUSAND) |
|---|------|------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 35 | 215,143 | 63,314 |
| Finance cost paid | | (133,229) | (90,706) |
| Income tax paid | | (86,697) | (84,416) |
| Workers' profit participation fund paid | | (9,144) | (7,081) |
| Net decrease in long term deposits and prepayments | | 6,185 | 5,824 |
| NET CASH USED IN OPERATING ACTIVITIES | | (7,742) | (113,065) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure on property, plant and equipment | | (297,457) | (678,590) |
| Proceeds from sale of property, plant and equipment | | 29,194 | 8,734 |
| Investment made | | (102,824) | (107) |
| Proceeds from sale of investments | | 66,958 | - |
| NET CASH USED IN INVESTING ACTIVITIES | | (304,129) | (669,963) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from long term financing | | 97,253 | 479,077 |
| Repayment of long term financing | | (115,523) | - |
| Repayment of liabilities against assets subject to finance lease | | (14,735) | (23,327) |
| Short term borrowings - net | | 213,441 | 325,890 |
| Proceeds from issuance of right shares | | 182,710 | - |
| Dividend paid | | (30,468) | - |
| NET CASH FROM FINANCING ACTIVITIES | | 332,678 | 781,640 |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | 20,807 | (1,388) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 68,237 | 69,625 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 25) | | 89,044 | 68,237 |

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


Jawed Anwar
Chairman


Faiq Jawed
Chief Executive Officer


Mrs. Sadaf Aamir
Director


Ghulam Muhammad
Chief Financial Officer



Statement of Changes in Equity

For the Year ended June 30, 2017

| | RESERVES | | | | | | TOTAL EQUITY |
|--|---------------|----------------------------------|----------------|-----------|-----------------------|-----------|--------------|
| | SHARE CAPITAL | CAPITAL RESERVE | | | REVENUE RESERVE | TOTAL | |
| | | Premium on issue of right shares | Merger reserve | Sub Total | Unappropriated profit | | |
| ----- (RUPEES IN THOUSAND) ----- | | | | | | | |
| Balance as at 30 June 2015 | 609,033 | - | 289,636 | 289,636 | 1,879,049 | 2,168,685 | 2,777,718 |
| Profit for the year | - | - | - | - | 75,746 | 75,746 | 75,746 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 75,746 | 75,746 | 75,746 |
| Balance as at 30 June 2016 | 609,033 | - | 289,636 | 289,636 | 1,954,795 | 2,244,431 | 2,853,464 |
| Transaction with owners | | | | | | | |
| - final dividend for the year ended 30 June 2016 at the rate of Rupee 0.50 per share | - | - | - | - | (30,452) | (30,452) | (30,452) |
| - Issue of 20% right shares at premium of Rupees 5 per share | 121,806 | 60,904 | - | 60,904 | - | 60,904 | 182,710 |
| Profit for the year | - | - | - | - | 82,769 | 82,769 | 82,769 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 82,769 | 82,769 | 82,769 |
| Balance as at 30 June 2017 | 730,839 | 60,904 | 289,636 | 350,540 | 2,007,112 | 2,357,652 | 3,088,491 |

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

Jawed Anwar
Chairman

Faiq Jawed
Chief Executive Officer

Mrs. Sadaf Aamir
Director

Ghulam Muhammad
Chief Financial Officer

Notes to the Financial Statements

For the Year ended 30 June 2017

1. THE COMPANY AND ITS ACTIVITIES

J.K. Spinning Mills Limited (the Company) is a public limited company incorporated in Pakistan on 07 January 1987 under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. Its registered office is situated at 29-Kilometers, Sheikhpura Road, Faisalabad where the factory premises of the Company are also located. The Company is engaged in business of textile manufacturing comprising of ginning, spinning, weaving, stitching, buying, selling and otherwise dealing in yarn, fabrics and other goods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. Securities and Exchange Commission of Pakistan (SECP) vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

b) Accounting convention

These financial statements have been prepared under the historical cost convention, except for freehold land measured at revalued amount.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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 historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.



Notes to the Financial Statements

For the Year ended 30 June 2017

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2016:

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 34 (Amendments) 'Interim Financial Reporting' (effective for annual periods beginning on or after 01 January 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

Notes to the Financial Statements

For the Year ended 30 June 2017

f) **Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company**

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2017 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31 'Revenue-Barter Transactions Involving Advertising Services'. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.



Notes to the Financial Statements

For the Year ended 30 June 2017

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have significant impact on Company's financial statements.

Amendments to IAS 28 (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

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

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

On 08 December 2016, IASB issued Annual Improvements to IFRSs: 2014 – 2016 Cycle, incorporating amendments to three IFRSs more specifically in IFRS-12 'Disclosure of Interests in Other Entities' and IAS-28 'Investments in Associates and Joint Ventures'. These amendments are effective for annual periods beginning on or after 01 January 2017 and on 01 January 2018 respectively. These amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standards and amendments to published approved accounting standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Employees retirement benefit

The Company operates a recognized provident fund for all its permanent employees. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 8.33 percent of the basic salary. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred. Employees are eligible under the scheme on completion of prescribed qualifying period of service.

Notes to the Financial Statements

For the Year ended 30 June 2017

2.3 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.4 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.5 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.6 Property, plant and equipment and depreciation

a) Owned

All operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except freehold land and capital work-in-progress. Freehold land is stated at revalued amount less any recognized impairment loss. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Capital work-in-progress is stated at cost less any recognized impairment loss.

Any revaluation surplus is credited to surplus on revaluation of operating fixed assets except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss account, in which case the increase is recognized in profit and loss account. A revaluation deficit is recognized in profit and loss account, except to the extent that it offsets an existing surplus on the same asset recognized in surplus on revaluation of operating fixed assets. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.



Notes to the Financial Statements

For the Year ended 30 June 2017

b) Leased

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term. Gain on sale and lease back of operating fixed assets is deferred and amortized over the lease term and loss on sale and lease back of operating fixed assets is recognized in profit and loss account.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit and loss account.

c) Depreciation

Depreciation on property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is de-recognized. Depreciation is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their expected useful lives at the rates mentioned in Note 14.1. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

d) De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit and loss account in the year the asset is de-recognized.

2.7 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investment in associate, which is tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) Investments at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

Notes to the Financial Statements

For the Year ended 30 June 2017

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) Available for sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available for sale. After initial recognition, investments which are classified as available for sale are measured at fair value. Gains or losses on available for sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. Fair value of investments in open-end mutual funds is determined using redemption price.

Unquoted

The investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, subsequent to initial recognition are carried at cost less any identified impairment loss.

d) Investment in an associate

Investment in an associate is accounted for under the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Company's share of profit or loss of the investee after the date of acquisition.

The Company's share of post acquisition profit or loss is recognized in the profit and loss account, whereas for a change recognized directly in the equity of associate, the Company recognizes its share of any change and discloses it in the statement of changes in equity. When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to share of profit / loss of an associate in the profit and loss account.

2.8 Inventories

Inventories, except for stock in transit and waste materials, are stated at lower of cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make a sale. Cost is determined as follows:



Notes to the Financial Statements

For the Year ended 30 June 2017

Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at invoice amount plus other charges paid thereon.

Stock-in-trade

Cost of raw materials is measured using the moving average cost formula.

Cost of work-in-process and finished goods comprises of average manufacturing cost including a portion of production overheads.

Stock-in-transit is valued at cost comprising invoice values plus other charges paid thereon. Waste materials are stated at net realizable value.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.10 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers. Related Government grant is recognized when there is reasonable assurance that the Company will comply with the conditions attached to it and grant will be received.
- Dividend on equity investments is recognized when right to receive the dividend is established.
- Rental income is recognized when rent is accrued.

2.11 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, liabilities against assets subject to finance lease, short term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to contractual provisions of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.12 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Notes to the Financial Statements

For the Year ended 30 June 2017

2.13 Trade and other receivables

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

2.14 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.15 Borrowing cost

Interest, mark-up and other charges on long term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.16 Impairment

a) Financial assets

"A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

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 amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.17 Derivative financial instruments

Derivative that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

2.18 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.



Notes to the Financial Statements

For the Year ended 30 June 2017

2.19 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

2.20 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibres), Fabric (Buying yarn, fabric and selling after conversion) and Home Textile (Manufacturing of home textile articles).

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

| 2017 (NUMBER OF SHARES) | | 2016 | | 2017 (RUPEES IN THOUSAND) | | 2016 | |
|----------------------------|-------------------|---|--|------------------------------|--|----------------|--|
| 26 424 155 | 14 243 500 | Ordinary shares of Rupees 10 each fully paid in cash | | 264,241 | | 142,435 | |
| 45 947 600 | 45 947 600 | Ordinary shares of Rupees 10 each issued to shareholders of J.K. Fibre Mills Limited and Abid Faiq Textile Mills Limited under the scheme of merger | | 459,476 | | 459,476 | |
| 712 175 | 712 175 | Ordinary shares of Rupees 10 each issued as fully paid bonus shares | | 7,122 | | 7,122 | |
| 73 083 930 | 60 903 275 | | | 730,839 | | 609,033 | |

3.1 Movement during the year

| | | | | |
|-------------------|-------------------|---|----------------|----------------|
| 60 903 275 | 60 903 275 | As at 01 July | 609,033 | 609,033 |
| 12 180 655 | - | Ordinary shares of Rupees 10 each issued during the year as fully paid right shares | 121,806 | - |
| 73 083 930 | 60 903 275 | As at 30 June | 730,839 | 609,033 |

Notes to the Financial Statements

For the Year ended 30 June 2017

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|---|------------------------------|------------------|
| 4. RESERVES | | |
| Composition of reserves is as follows: | | |
| Capital reserve | | |
| Merger reserve | 289,636 | 289,636 |
| Premium on issue of right shares (Note 4.1) | 60,904 | - |
| | 350,540 | 289,636 |
| Revenue reserve | | |
| Unappropriated profit | 2,007,112 | 1,954,795 |
| | 2,357,652 | 2,244,431 |
| 4.1 This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017. | | |
| 5. SURPLUS ON REVALUATION OF FREE HOLD LAND | | |
| Surplus on revaluation of freehold land as at 01 July | 178,634 | 153,778 |
| Add: | | |
| Increase in surplus on revaluation | 45,997 | 24,856 |
| | 224,631 | 178,634 |
| 5.1 Freehold land of the Company has been revalued on 30 June 2017 by an independent valuer, Messrs Harvester Services (Private) Limited using market value method. Previous revaluations were carried out by independent valuers on 30 September 1996, 30 September 2000, 30 September 2004, 30 June 2007, 29 June 2013 and 30 June 2016. | | |
| 6. LONG TERM FINANCING | | |
| From banking companies - secured | | |
| Long term loans (Note 6.1) | 460,807 | 479,077 |
| Less: Current portion shown under current liabilities (Note 12) | 179,350 | 120,786 |
| | 281,457 | 358,291 |



Notes to the Financial Statements

For the Year ended 30 June 2017

6.1 Long term loans

| LENDER | 2017 | 2016 | RATE OF INTEREST PER ANNUM | NUMBER OF INSTALLMENTS | DATE OF REPAYMENT OF FIRST INSTALLMENT | INTEREST REPRICING | INTEREST PAYABLE | SECURITY |
|--|---------|---------|------------------------------|---------------------------------------|--|--------------------|------------------|---|
| (RUPEES IN THOUSAND) | | | | | | | | |
| Standard Chartered Bank (Pakistan) Limited | 137,376 | 196,251 | SBP rate for LTFF + 1.25% | Ten equal quarterly installments | 28 Dec 2016 | - | Quarterly | First specific charge of Rupees 267 million over specific plant and machinery and personal guarantee of three directors of the Company. |
| Standard Chartered Bank (Pakistan) Limited | 93,624 | 133,749 | SBP rate for LTFF + 1.25% | Ten equal quarterly installments | 30 Nov 2016 | - | Quarterly | First specific charge of Rupees 178 million over specific plant and machinery and personal guarantee of three directors of the Company. |
| The Bank of Punjab | 49,726 | 49,726 | SBP rate for LTFF + 2.00% | Twenty equal quarterly installments | 21 Sep 2017 | - | Quarterly | First specific charge of Rupees 67 million over specific plant and machinery and personal guarantee of three directors of the Company. |
| The Bank of Punjab | 20,682 | - | SBP rate for LTFF + 2.00% | Twenty equal quarterly installments | 20 Jan 2018 | - | Quarterly | First specific charge of Rupees 134 million over specific plant and machinery and personal guarantee of three directors of the Company. |
| The Bank of Punjab | 20,087 | - | SBP rate for LTFF + 2.00% | Twenty equal quarterly installments | 21 Feb 2018 | - | Quarterly | First specific charge of Rupees 134 million over specific plant and machinery and personal guarantee of three directors of the Company. |
| The Bank of Punjab | 56,484 | - | SBP rate for LTFF + 2.00% | Twenty equal quarterly installments | 10 Nov 2017 | - | Quarterly | First specific charge of Rupees 267 million over specific plant and machinery and personal guarantee of three directors of the Company. |
| Askari Bank Limited | 38,384 | 49,351 | SBP rate for LTF-EOP + 1.25% | Eighteen equal quarterly installments | 17 Aug 2016 | - | Quarterly | First specific charge of Rupees 267 million over specific plant and machinery and personal guarantee of three directors of the Company. |
| Askari Bank Limited | 44,444 | 50,000 | 3 months KIBOR + 1.25% | Eighteen equal quarterly installments | 31 Dec 2016 | Quarterly | Quarterly | First specific charge of Rupees 267 million over specific plant and machinery and personal guarantee of three directors of the Company. |
| | 460,807 | 479,077 | | | | | | |

Notes to the Financial Statements

For the Year ended 30 June 2017

| | 2017 (RUPEES IN THOUSAND) | 2016 (RUPEES IN THOUSAND) |
|---|------------------------------|------------------------------|
| 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | | |
| Future minimum lease payments | 7,186 | 22,444 |
| Less: Un-amortized finance charge | 30 | 553 |
| Present value of future minimum lease payments | 7,156 | 21,891 |
| Less: Current portion shown under current liabilities (Note 12) | 7,156 | 14,733 |
| | - | 7,158 |

7.1 These represent vehicles acquired under finance lease agreement from Askari Bank Limited. The implicit interest rate used to arrive at the present value of minimum lease payments range from 7.78% to 7.90% (2016: 8.10% to 8.51%) per annum. Taxes, repairs and insurance costs are to be borne by the Company. The purchase option is available to the Company on payment of last installment and surrender of security deposit paid under the agreement. These are secured against the leased assets.

7.2 Minimum lease payments and their present values are regrouped as under:

| | 2017 | | 2016 | |
|--|----------------------------------|---|-------------------------|---|
| | Not later than one year | Later than one year and not later than five years | Not later than one year | Later than one year and not later than five years |
| | ----- (RUPEES IN THOUSAND) ----- | | | |
| Future minimum lease payments | 7,186 | - | 15,255 | 7,189 |
| Less: Un-amortized finance charge | 30 | - | 522 | 31 |
| Present value of future minimum lease payments | 7,156 | - | 14,733 | 7,158 |

| | 2017 (RUPEES IN THOUSAND) | 2016 (RUPEES IN THOUSAND) |
|--|------------------------------|------------------------------|
| 8. DEFERRED INCOME TAX LIABILITY | | |
| Taxable temporary difference | | |
| Accelerated tax depreciation | 210,772 | 203,137 |
| Deductible temporary differences | | |
| Liabilities against assets subject to finance lease | (1,220) | (3,574) |
| Minimum taxation | (72,719) | (46,743) |
| Provision for doubtful tax refunds due from the Government | (5,259) | - |
| Unused tax losses | - | (6,996) |
| | (79,198) | (57,313) |
| | 131,574 | 145,824 |



Notes to the Financial Statements

For the Year ended 30 June 2017

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|--|------------------------------|------------------|
| 9. TRADE AND OTHER PAYABLES | | |
| Creditors | 128,226 | 147,423 |
| Accrued liabilities | 212,116 | 196,972 |
| Advances from customers | 26,149 | 22,808 |
| Securities / retention money - interest free | 3,628 | 3,237 |
| Income tax deducted at source | 476 | 427 |
| Sales tax deducted at source | 2,333 | 4,028 |
| Unclaimed dividend | 402 | 418 |
| Workers' profit participation fund (Note 9.1) | 3,277 | 8,802 |
| Workers' welfare fund | 631 | - |
| Other payables | 47,331 | 29,097 |
| | 424,569 | 413,212 |
| 9.1 Workers' profit participation fund | | |
| Balance as on 01 July | 8,802 | 11,005 |
| Interest for the year (Note 32) | 342 | 296 |
| Provision for the year (Note 30) | 3,277 | 4,582 |
| | 12,421 | 15,883 |
| Less: Payments during the year | 9,144 | 7,081 |
| | 3,277 | 8,802 |
| 9.1.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers. | | |
| 10. ACCRUED MARK-UP | | |
| Long term financing | 6,586 | 4,239 |
| Liabilities against assets subject to finance lease | 5 | 27 |
| Short term borrowings | 10,470 | 11,988 |
| | 17,061 | 16,254 |
| 11. SHORT TERM BORROWINGS | | |
| From banking companies - secured | | |
| Cash and running finances (Note 11.1 and Note 11.2) | 406,541 | 431,008 |
| State Bank of Pakistan refinance (Note 11.1 and Note 11.3) | 825,000 | 785,000 |
| Other short term finances (Note 11.1 and Note 11.4) | 467,734 | 73,371 |
| | 1,699,275 | 1,289,379 |
| Unsecured | | |
| From directors (Note 11.5) | 31,249 | 227,704 |
| | 1,730,524 | 1,517,083 |

Notes to the Financial Statements

For the Year ended 30 June 2017

- 11.1** These finances are obtained from banking companies under mark-up arrangements and are secured against joint pari passu hypothecation charge on present and future current assets and joint pari passu charge on fixed assets, pledge of stock of cotton, yarn and polyester with specific margin and personal guarantee of certain directors of the Company. These form part of total credit facility of Rupees 6,583 million (2016: Rupees 5,933 million).
- 11.2** The rates of mark-up range from 6.94% to 7.62% (2016: 7.35% to 8.47%) per annum on the balance outstanding.
- 11.3** The rate of mark up is 3.00% (2016: 3.50% to 4.50%) per annum on the balance outstanding.
- 11.4** The rates of mark up on Pak Rupee finances and US Dollar finances range from 6.66% to 7.65% (2016: 7.14% to 8.47%) per annum and 2.00% to 3.06% (2016: 2.78% to 3.50%) per annum respectively on the balance outstanding.
- 11.5** This represents interest free loans obtained from directors of the Company which are repayable on demand.

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|---|------------------------------|----------------|
| 12. CURRENT PORTION OF NON-CURRENT LIABILITIES | | |
| Current portion of long term financing (Note 6) | 179,350 | 120,786 |
| Current portion of liabilities against assets subject to finance lease (Note 7) | 7,156 | 14,733 |
| | 186,506 | 135,519 |



Notes to the Financial Statements

For the Year ended 30 June 2017

13. CONTINGENCIES AND COMMITMENTS

a) Contingencies

- i) The Company has filed an appeal before Appellate Tribunal, Inland Revenue, Lahore against order in original 02/2007 dated 03 May 2007 for Rupees 11.002 million (2016: Rupees 11.002 million) along with default surcharge under section 34 of Sales Tax Act, 1990 and penalty at the rate of 30 percent. Appellate Tribunal, Inland Revenue, Lahore passed order against the appeal of the Company. Afterwards the Company filed reference against the decision of Appellate Tribunal, Inland Revenue, Lahore before Honourable Lahore High Court, Lahore. The related provision is not made in these financial statements in view of expected favourable outcome of the reference.
- ii) The Company has filed an appeal before Customs Appellate Tribunal, Lahore against the order in original 28/2015 dated 05 March 2015 for the recovery of Rupees 2.133 million (2016: Rupees 2.133 million) along with additional tax and penalty under section 156 of the Customs Act, 1969. The related provision is not made in these financial statements in view of expected favourable outcome of the reference.
- iii) The Company has filed an appeal before Appellate Tribunal, Inland Revenue, Lahore against the impugned order in appeal no. 465/2016 dated 12 July 2016 of Honourable Commissioner, Inland Revenue (Appeals), Faisalabad for the recovery of Rupees 3.108 million (2016: Rupees 7.904 million) along with default surcharge and penalty under section 34 and 33 of Sales Tax Act, 1990 respectively. The related provision is not made in these financial statements in view of expected favourable outcome of the reference.
- iv) Sui Northern Gas Pipelines Limited (SNGPL) is charging Late Payment Surcharge (LPS) amounting to Rupees 116.926 million (2016: Rupees 84.669 million). This late payment surcharge is due to non-payment of Gas Infrastructure Development Cess (GIDC) as required to pay under GIDC Act, 2015 but the Company has made provision of Rupees 63.767 million (2016: Rupees 43.413 million). However, the Company has filed an appeal before Honourable Lahore High Court, Lahore against the LPS charged by SNGPL. The Honourable Lahore High Court, Lahore has issued directions to suspend payment of LPS till final decision. Therefore, the Company has not incorporated provision of remaining amount of Rupees 53.159 million (2016: Rupees 41.256 million) in these financial statements due to expected favourable outcome of the appeal.
- v) The Company has filed an appeal before Honourable Commissioner, Inland Revenue (Appeals), Faisalabad against assessment order issued under section 122(5A) of Income Tax Ordinance, 2001 for the recovery of Rupees 29.860 million for tax year 2012. The related provision is not made in these financial statements in view of expected favourable outcome of the appeal.
- vi) The Company has filed an appeal before Honourable Commissioner, Inland Revenue (Appeals), Faisalabad against assessment order issued under section 161 and section 205 of Income Tax Ordinance, 2001 for the recovery of Rupees 27.303 million for tax year 2016. The related provision is not made in these financial statements in view of expected favourable outcome of the appeal.
- vii) Guarantees of Rupees 126.050 million (2016: Rupees 82.710 million) are given by the banks of the Company to Sui Northern Gas Pipeline Limited against gas connections and Faisalabad Electric Supply Company Limited against electricity connection.
- viii) Post dated cheques of Rupees 206.672 million (2016: Rupees 116.430 million) are issued to custom authorities in respect of duties on imported material availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.

b) Commitments

- i) Letters of credit for capital expenditure are of Rupees 282.027 million (2016: Rupees 98.410 million).
- ii) Letters of credit other than for capital expenditure are of Rupees 101.550 million (2016: Rupees 73.192 million).
- iii) Outstanding foreign currency forward contracts are of Rupees 621.027 million as at 30 June 2017.

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|--|------------------------------|------------------|
| 14. PROPERTY, PLANT AND EQUIPMENT | | |
| Operating fixed assets (Note 14.1) | | |
| - Owned | 2,598,982 | 2,486,652 |
| - Leased | 12,720 | 29,639 |
| Capital work-in-progress (Note 14.2) | 189,541 | 232,373 |
| | 2,801,243 | 2,748,664 |

Notes to the Financial Statements

For the Year ended 30 June 2017

14.1 OPERATING FIXED ASSETS

| | OWNED ASSETS | | | | | | | LEASED ASSETS | | | | | |
|---|---------------|----------------------------|---------------------|--------------------|---------------------------------------|--------------------------------|------------------------|------------------|----------|-------------|---------------------|----------|----------|
| | Freehold land | Buildings on freehold land | Plant and machinery | Stand-by equipment | Electric installations and appliances | Factory equipment and fixtures | Furniture and fixtures | Office equipment | Vehicles | Total | Plant and machinery | Vehicles | Total |
| ----- (RUPEES IN THOUSAND) ----- | | | | | | | | | | | | | |
| At 30 June 2015 | | | | | | | | | | | | | |
| Cost / revalued amount | 211,616 | 634,756 | 2,242,168 | 160,608 | 274,726 | 41,571 | 15,099 | 28,069 | 117,065 | 3,725,678 | 41,233 | 45,500 | 86,733 |
| Accumulated depreciation | - | (298,232) | (988,720) | (48,883) | (1,49,270) | (19,138) | (3,886) | (18,044) | (48,776) | (1,574,949) | (8,561) | (8,451) | (17,012) |
| Net book value | 211,616 | 336,524 | 1,253,448 | 111,725 | 125,456 | 22,433 | 11,213 | 10,025 | 68,289 | 2,150,729 | 32,672 | 37,049 | 69,721 |
| Year ended 30 June 2016 | | | | | | | | | | | | | |
| Opening net book value | 211,616 | 336,524 | 1,253,448 | 111,725 | 125,456 | 22,433 | 11,213 | 10,025 | 68,289 | 2,150,729 | 32,672 | 37,049 | 69,721 |
| Additions | - | 3,861 | 453,570 | - | 19,999 | 19,696 | - | 1,182 | 17,481 | 515,789 | - | - | - |
| Assets transferred from leased assets to owned assets | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost | - | - | 41,233 | - | - | - | - | - | - | 41,233 | (41,233) | - | (41,233) |
| Accumulated depreciation | - | - | (10,194) | - | - | - | - | - | - | (10,194) | 10,194 | - | 10,194 |
| Effect of revaluation surplus | 24,856 | - | 31,039 | - | - | - | - | - | - | 31,039 | (31,039) | - | (31,039) |
| Disposals: | - | - | - | - | - | - | - | - | - | 24,856 | - | - | - |
| Cost | - | - | (17,368) | - | - | - | - | - | (3,321) | (20,689) | - | - | - |
| Accumulated depreciation | - | - | 12,383 | - | - | - | - | - | 2,191 | 14,574 | - | - | - |
| Depreciation charge | - | (33,859) | (4,985) | - | - | - | - | - | (1,130) | (6,115) | - | - | - |
| Closing net book value | 236,472 | 306,526 | 1,585,737 | 100,553 | 131,988 | 38,245 | 10,091 | 7,915 | 69,125 | 2,486,652 | (1,633) | (7,410) | (9,043) |
| | | | | | | | | | | | | | 29,639 |



Notes to the Financial Statements

For the Year ended 30 June 2017

| | OWNED ASSETS | | | | | | | LEASED ASSETS | | | | | |
|---|---------------|----------------------------|---------------------|--------------------|---------------------------------------|-------------------|------------------------|------------------|----------|-------------|---------------------|----------|----------|
| | Freehold land | Buildings on freehold land | Plant and machinery | Stand-by equipment | Electric installations and appliances | Factory equipment | Furniture and fixtures | Office equipment | Vehicles | Total | Plant and machinery | Vehicles | Total |
| At 30 June 2016 | | | | | | | | | | | | | |
| Cost / revalued amount | 236,472 | 638,617 | 2,719,603 | 160,608 | 294,725 | 61,267 | 15,099 | 29,251 | 131,225 | 4,286,867 | - | 45,500 | 45,500 |
| Accumulated depreciation | - | (332,091) | (1,133,866) | (60,055) | (162,737) | (23,022) | (5,008) | (21,336) | (62,100) | (1,800,215) | - | (15,861) | (15,861) |
| Net book value | 236,472 | 306,526 | 1,585,737 | 100,553 | 131,988 | 38,245 | 10,091 | 7,915 | 69,125 | 2,486,652 | - | 29,639 | 29,639 |
| Year ended 30 June 2017 | | | | | | | | | | | | | |
| Opening net book value | 236,472 | 306,526 | 1,585,737 | 100,553 | 131,988 | 38,245 | 10,091 | 7,915 | 69,125 | 2,486,652 | - | 29,639 | 29,639 |
| Additions | 1,628 | 24,445 | 163,964 | 74,090 | 25,107 | - | 33 | 413 | 50,609 | 340,289 | - | - | - |
| Assets transferred from leased assets to owned assets | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost | - | - | - | - | - | - | - | - | 23,000 | 23,000 | - | (23,000) | (23,000) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | (10,635) | (10,635) | - | 10,635 | 10,635 |
| Effect of revaluation surplus | 45,997 | - | - | - | - | - | - | - | 12,365 | 12,365 | - | (12,365) | (12,365) |
| Disposals: | | | | | | | | | | | | | |
| Cost | - | - | (20,035) | - | - | - | - | - | (52,157) | (72,192) | - | - | - |
| Accumulated depreciation | - | - | 13,268 | - | - | - | - | - | 26,546 | 39,814 | - | - | - |
| Depreciation charge | - | (31,854) | (6,767) | (16,229) | (14,007) | (3,824) | (1,012) | (2,407) | (17,073) | (253,943) | - | (4,554) | (4,554) |
| Closing net book value | 284,097 | 299,117 | 1,575,397 | 158,414 | 143,088 | 34,421 | 9,112 | 5,921 | 89,415 | 2,598,982 | - | 12,720 | 12,720 |
| At 30 June 2017 | | | | | | | | | | | | | |
| Cost / revalued amount | 284,097 | 663,062 | 2,863,532 | 234,698 | 319,832 | 61,267 | 15,132 | 29,664 | 152,677 | 4,623,961 | - | 22,500 | 22,500 |
| Accumulated depreciation | - | (363,945) | (1,288,135) | (76,284) | (176,744) | (26,846) | (6,020) | (23,743) | (63,262) | (2,024,979) | - | (9,780) | (9,780) |
| Net book value | 284,097 | 299,117 | 1,575,397 | 158,414 | 143,088 | 34,421 | 9,112 | 5,921 | 89,415 | 2,598,982 | - | 12,720 | 12,720 |
| Annual rate of depreciation (%) | - | 10 | 10 | 10 | 10 | 10 | 10 | 30 | 20 | 10 | 10 | 20 | 20 |

Notes to the Financial Statements

For the Year ended 30 June 2017

14.1.1 Had there been no revaluation, value of freehold land as at 30 June 2017 would have been Rupees 59.466 million (2016: Rupees 57.838 million)

| | 2017 (RUPEES IN THOUSAND) | 2016 (RUPEES IN THOUSAND) |
|--|------------------------------|------------------------------|
| 14.1.2 Depreciation charge for the year has been allocated as follows: | | |
| Cost of sales (Note 27) | | |
| -Owned assets | 233,451 | 209,717 |
| -Leased assets | - | 1,633 |
| | 233,451 | 211,350 |
| Administrative expenses (Note 29) | | |
| -Owned assets | 20,492 | 19,929 |
| -Leased assets | 4,554 | 7,410 |
| | 25,046 | 27,339 |
| | 258,497 | 238,689 |

14.1.3 Detail of operating fixed assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:

| Description | Qty. | Cost | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal | Particulars of purchasers |
|---|------|---------------------------------|--------------------------|----------------|---------------|------------------|---|
| Nos. | | ------(RUPEES IN THOUSAND)----- | | | | | |
| Plant and machinery | | | | | | | |
| Scutcher FA-041 | 1 | 780 | 450 | 330 | 350 | Negotiation | S.S.Q. Textile Traders, Faisalabad |
| Ring Frame Reiter BT-702E with KEB Inverter- 44 | 2 | 19,255 | 12,818 | 6,437 | 798 | Negotiation | S.S.Q. Textile Traders, Faisalabad |
| | | 20,035 | 13,268 | 6,767 | 1,148 | | |
| Vehicles | | | | | | | |
| Toyota Camry NS-259 | 1 | 3,500 | 2,927 | 573 | 1,685 | Negotiation | Toyota Faisalabad Motors, Faisalabad |
| Toyota GLI FDA-717 | 1 | 1,514 | 1,040 | 474 | 496 | Company Policy | Mr. Muhammad Arif (Company's employee) |
| Toyota Fortuner ZA-881 | 1 | 5,202 | 2,976 | 2,226 | 2,970 | Negotiation | Mr. Shahbaz Khan, Chak No. 552 GB, Tehsil Tandlianwala, District Faisalabad |
| Honda Civic LEC-7784 | 1 | 2,444 | 1,398 | 1,046 | 1,046 | Company Policy | Mr. Qayyum Mohsin Malik (Company's employee) |
| BMW 316 BB-881 | 1 | 7,913 | 3,680 | 4,233 | 3,800 | Negotiation | Mr. Asif Amin, Nawan Kot, Lahore |
| Honda Civic LED-1472 | 1 | 2,495 | 1,183 | 1,312 | 1,515 | Company Policy | Syed Hussain Shahid Mansoor Naqvi (Company's employee) |
| Porsche Panamera S E-Hybrid CB-462 | 1 | 24,914 | 10,242 | 14,672 | 13,840 | Negotiation | Mr. Waqar Ahmad Sheikh, Faisal Town, Lahore |
| Toyota Corolla LED-4515 | 1 | 1,679 | 1,192 | 487 | 550 | Company Policy | Mr. Nadeem Fayyaz Kiyani (Company's employee) |
| Toyota Corolla FDB-46 | 1 | 1,524 | 1,095 | 429 | 499 | Company Policy | Mr. Ghulam Muhammad (Company's employee) |
| | | 51,185 | 25,733 | 25,452 | 26,401 | | |
| Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000 | | 972 | 813 | 159 | 1,645 | | |
| | | 72,192 | 39,814 | 32,378 | 29,194 | | |



Notes to the Financial Statements

For the Year ended 30 June 2017

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|---|------------------------------|----------------|
| 14.2 Capital work-in-progress | | |
| Buildings on freehold land | 147,499 | 103,912 |
| Plant and machinery | 24,575 | 110,437 |
| Electric installations and appliances | - | 14,667 |
| Advance against vehicles | 17,467 | 3,357 |
| | 189,541 | 232,373 |
| 15. LONG TERM INVESTMENT | | |
| Investment in associate | | |
| J.K. Tech (Private) Limited - unquoted | | |
| 750 (2016: 750) ordinary shares of Rupees 10 each (Note 15.1) | 8 | 8 |
| Less: Accumulated impairment | (8) | (8) |
| | - | - |

15.1 The Company holds 50% (2016: 50%) shares in J.K. Tech (Private) Limited, a private limited company incorporated in Pakistan and holding its principal place of business in the Province of Punjab. The principal activity of J.K. Tech (Private) Limited is providing services of electricity transmission. This is a strategic investment of the Company for vertical integration. The summarized financial information of J.K. Tech (Private) Limited is as follows:

| | UN-AUDITED 2017 (RUPEES IN THOUSAND) | AUDITED 2016 |
|---|--|-----------------|
| Associate's balance sheet: | | |
| Current assets | 830 | 739 |
| Non-current assets | 3,824 | 3,836 |
| Current liabilities | (150) | (1,150) |
| Non-current liabilities | (13,888) | (10,532) |
| Net assets | (9,384) | (7,107) |
| Reconciliation to carrying amounts | | |
| Net assets as at 1st July | (7,107) | (5,035) |
| Loss for the year | (2,277) | (2,072) |
| Net assets as at 30 June | (9,384) | (7,107) |
| Associate's revenue and loss: | | |
| Revenue | 287 | 3,791 |
| Loss before taxation for the year | (2,274) | (2,034) |
| Loss after taxation for the year | (2,277) | (2,072) |

15.2 There are no contingent liabilities relating to the Company's interest in J.K. Tech (Private) Limited (2016: Rupees Nil).

Notes to the Financial Statements

For the Year ended 30 June 2017

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|--|------------------------------|--------|
| 16. LONG TERM DEPOSITS AND PREPAYMENTS | | |
| Deposits | 5,730 | 11,459 |
| Prepayments | 998 | 1,259 |
| | 6,728 | 12,718 |
| Less: Current portion shown under current assets (Note 21) | 6,481 | 6,286 |
| | 247 | 6,432 |
| 17. STORES, SPARE PARTS AND LOOSE TOOLS | | |
| Stores (Note 17.1) | 56,668 | 49,845 |
| Spare parts (Note 17.2) | 16,179 | 15,539 |
| Loose tools | 325 | 259 |
| | 73,172 | 65,643 |

17.1 These include stores in transit of Rupees 3.241 million (2016: Rupees 0.673 million).

17.2 These include spare parts in transit of Rupees 0.597 million (2016: Rupees 0.345 million).

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|-----------------------------|------------------------------|-----------|
| 18. STOCK-IN-TRADE | | |
| Raw materials (Note 18.1) | 1,125,876 | 902,388 |
| Work-in-process (Note 18.2) | 397,647 | 308,806 |
| Finished goods (Note 18.3) | 360,834 | 526,314 |
| Waste | 41,642 | 18,600 |
| | 1,925,999 | 1,756,108 |

18.1 These include raw materials in transit of Rupees 63.558 million (2016: Rupees 51.650 million).

18.2 This includes stock of Rupees 259.282 million (2016: Rupees 189.284 million) sent to third parties for conversion.

18.3 These include stock of Rupees 84.923 million (2016: Rupees 77.022 million) sent to third parties for processing.

18.4 Stock-in-trade of Rupees 53.019 million (2016: Rupees 101.251 million) is being carried at net realizable value.

18.5 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 0.420 million (2016: Rupees 10.111 million).

19. TRADE DEBTS

Considered good:

| | | |
|---|---------|---------|
| Secured (against letters of credit) | 290,669 | 83,644 |
| Unsecured: | | |
| Related party (Note 19.1 and Note 19.2) | - | 9,006 |
| Others (Note 19.3) | 397,507 | 421,149 |
| | 688,176 | 513,799 |



Notes to the Financial Statements

For the Year ended 30 June 2017

19.1 This represented amount due from Mughanum (Private) Limited.

19.2 As at 30 June 2017, trade debts due from related party amounting to Rupees Nil (2016: Rupees 6.759 million) were past due but not impaired. The ageing analysis of these trade debts is as follows:

| | 2017 | 2016 |
|--------------------|----------------------|-------|
| | (RUPEES IN THOUSAND) | |
| Upto 1 month | - | - |
| 1 to 6 months | - | 6,759 |
| More than 6 months | - | - |
| | - | 6,759 |

19.3 As at 30 June 2017, trade debts due from other than related parties of Rupees 239.149 million (2016: Rupees 181.871 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

| | | |
|--------------------|---------|---------|
| Upto 1 month | 191,611 | 139,556 |
| 1 to 6 months | 42,519 | 40,865 |
| More than 6 months | 5,019 | 1,450 |
| | 239,149 | 181,871 |

19.4 As at 30 June 2017, trade debts of Rupees 0.025 million (2016: Rupees 0.282 million) were impaired and written off. The ageing of these trade debts was more than two years. These trade debts do not include amounts due from related parties.

20. LOANS AND ADVANCES

Considered good:

Unsecured

Employees - interest free:

Executives:

Against expenses

Against salary

| | | |
|--|-------|-------|
| | 784 | 1,662 |
| | 467 | 414 |
| | 1,251 | 2,076 |

Other employees:

Against expenses

Against salary

| | | |
|--|-------|-------|
| | 2,983 | 1,247 |
| | 454 | 375 |
| | 3,437 | 1,622 |

Advances to suppliers

Letters of credit

| | | |
|--|--------|--------|
| | 4,688 | 3,698 |
| | 34,808 | 46,165 |
| | 2,144 | 334 |
| | 41,640 | 50,197 |

21. SHORT TERM DEPOSITS AND PREPAYMENTS

Deposit

Prepayments

Current portion of long term deposits and prepayments (Note 16)

| | | |
|--|--------|--------|
| | 3,017 | 3,017 |
| | 2,043 | 4,577 |
| | 6,481 | 6,286 |
| | 11,541 | 13,880 |

Notes to the Financial Statements

For the Year ended 30 June 2017

| | | 2017 (RUPEES IN THOUSAND) | | 2016 | | |
|------------|--|---------------------------------|---------------------------|----------------|------------------|--------------|
| 22. | OTHER RECEIVABLES | | | | | |
| | Considered good: | | | | | |
| | Export rebate and duty drawback | 95,167 | | 28,606 | | |
| | Insurance claim | - | | 4,406 | | |
| | Miscellaneous | 8,113 | | 8,672 | | |
| | | 103,280 | | 41,684 | | |
| 23. | TAX REFUNDS DUE FROM THE GOVERNMENT | | | | | |
| | Considered good: | | | | | |
| | Income tax | 190,223 | | 141,454 | | |
| | Sales tax | 202,344 | | 250,267 | | |
| | Federal / special excise duty | 3,554 | | 3,307 | | |
| | | 396,121 | | 395,028 | | |
| | Considered doubtful: | | | | | |
| | Sales tax | 30,858 | | - | | |
| | Less: Provision for doubtful tax refunds due from the Government (Note 30) | (30,858) | | - | | |
| | | - | | - | | |
| 24. | SHORT TERM INVESTMENTS | | | | | |
| | | 2017 | | 2016 | | |
| | | Carrying value | Un-realized (loss) / gain | Carrying value | Un-realized gain | Market value |
| | | ------(RUPEES IN THOUSAND)----- | | | | |
| | Investments at fair value through profit or loss | | | | | |
| | Shares in listed companies | | | | | |
| | Attock Refinery Limited | | | | | |
| | 10 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 4,483 | (657) | 3,826 | - | - |
| | D.G. Khan Cement Company Limited | | | | | |
| | 10 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 2,372 | (240) | 2,132 | - | - |
| | National Refinery Limited | | | | | |
| | 1 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 893 | (167) | 726 | - | - |
| | Pakistan State Oil Company Limited | | | | | |
| | 15 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 7,188 | (1,378) | 5,810 | - | - |
| | Akzo Nobel Pakistan Limited | | | | | |
| | 6 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 1,534 | (94) | 1,440 | - | - |
| | Habib Bank Limited | | | | | |
| | 10 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 2,811 | (120) | 2,691 | - | - |



Notes to the Financial Statements

For the Year ended 30 June 2017

| | 2017 | | | 2016 | | |
|--|----------------|---------------------------|---------------|----------------|------------------|--------------|
| | Carrying value | Un-realized (loss) / gain | Market value | Carrying value | Un-realized gain | Market value |
| ------(RUPEES IN THOUSAND)----- | | | | | | |
| Gandhara Industries Limited 5 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 4,384 | (1,134) | 3,250 | - | - | - |
| Engro Corporation Limited 5 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 1,901 | (271) | 1,630 | - | - | - |
| The Searle Company Limited 5 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 3,142 | (582) | 2,560 | - | - | - |
| United Bank Limited 5 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 1,198 | (20) | 1,178 | - | - | - |
| International Steels Limited 5 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 779 | (140) | 639 | - | - | - |
| Lucky Cement Limited 8 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 7,250 | (560) | 6,690 | - | - | - |
| Dost Steels Limited 50 000 (2016: Nil) fully paid ordinary shares of Rupees 10 each | 698 | (147) | 551 | - | - | - |
| Certificates in closed end mutual fund | | | | | | |
| NBP NAFA Stock Fund 9 267 (2016: 8 593) units held (Note 24.1) | 132 | 18 | 150 | 107 | 16 | 123 |
| | 38,765 | (5,492) | 33,273 | 107 | 16 | 123 |

24.1 Dividend income of Rupees 0.018 million (2016: Rupees 0.007 million) has been included in this amount.

| | 2017 | 2016 |
|--|----------------------|------------------|
| | (RUPEES IN THOUSAND) | |
| 25. CASH AND BANK BALANCES | | |
| With banks: | | |
| On current accounts | | |
| Including US\$ 23,007 (2016: US\$ 9,972) | 83,273 | 60,659 |
| On PLS saving accounts | - | 19 |
| | 83,273 | 60,678 |
| Cash in hand | 5,771 | 7,559 |
| | 89,044 | 68,237 |
| 26. REVENUE | | |
| Export sales | 3,583,275 | 3,632,522 |
| Local sales (Note 26.1) | 5,375,951 | 4,635,005 |
| Export rebate and duty drawback | 90,481 | 21,620 |
| | 9,049,707 | 8,289,147 |

Notes to the Financial Statements

For the Year ended 30 June 2017

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|--|------------------------------|-----------|
| 26.1 Local Sales | | |
| Sales | 5,265,317 | 4,642,993 |
| Waste | 112,684 | 130,224 |
| | 5,378,001 | 4,773,217 |
| Less: Sales tax | 2,050 | 138,212 |
| | 5,375,951 | 4,635,005 |
| 27. COST OF SALES | | |
| Raw materials consumed (Note 27.1) | 5,738,595 | 5,288,079 |
| Stores, spare parts and loose tools consumed | 126,959 | 128,113 |
| Packing materials consumed | 130,547 | 131,926 |
| Processing and conversion charges | 639,358 | 739,377 |
| Doubling charges | - | 4,009 |
| Fuel and power | 782,996 | 666,505 |
| Salaries, wages and other benefits (Note 27.2) | 506,189 | 491,261 |
| Repair and maintenance | 29,438 | 17,236 |
| Insurance | 10,568 | 11,369 |
| Other factory overheads | 25,833 | 28,222 |
| Depreciation (Note 14.1.2) | 233,451 | 211,350 |
| | 8,223,934 | 7,717,447 |
| Work-in-process | | |
| Opening stock | 308,806 | 239,180 |
| Closing stock | (397,647) | (308,806) |
| | (88,841) | (69,626) |
| Cost of goods manufactured | 8,135,093 | 7,647,821 |
| Finished goods | | |
| Opening stock | 544,914 | 514,383 |
| Closing stock | (402,476) | (544,914) |
| | 142,438 | (30,531) |
| | 8,277,531 | 7,617,290 |
| Cost of sale - purchased for resale | 14,629 | 20,968 |
| | 8,292,160 | 7,638,258 |
| 27.1 Raw material consumed | | |
| Opening stock | 902,388 | 750,452 |
| Add: Purchased during the year | 5,962,083 | 5,440,015 |
| | 6,864,471 | 6,190,467 |
| Closing stock | (1,125,876) | (902,388) |
| | 5,738,595 | 5,288,079 |

27.2 Salaries, wages and other benefits include provident fund contribution of Rupees 13.735 million (2016: Rupees 13.170 million) by the Company.



Notes to the Financial Statements

For the Year ended 30 June 2017

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|---|------------------------------|----------------|
| 28. DISTRIBUTION COST | | |
| Salaries and other benefits (Note 28.1) | 11,529 | 10,068 |
| Ocean freight | 92,736 | 75,443 |
| Commission and brokerage | 92,910 | 112,655 |
| Travelling and conveyance | 25,852 | 26,761 |
| Local freight | 23,814 | 24,848 |
| Shipping expenses | 9,303 | 11,032 |
| Export development surcharge | 8,219 | 9,467 |
| Fee and subscription | 418 | 442 |
| Advertisement | 1,529 | 1,992 |
| Business promotion | 2,080 | 1,557 |
| Insurance | 597 | 852 |
| Miscellaneous | 535 | 796 |
| | 269,522 | 275,913 |

28.1 Salaries and other benefits include provident fund contribution of Rupees 0.802 million (2016: Rupees 0.701 million) by the Company.

| | | |
|---|----------------|----------------|
| 29. ADMINISTRATIVE EXPENSES | | |
| Salaries and other benefits (Note 29.1) | 122,872 | 103,938 |
| Rent, rates and taxes | 761 | 250 |
| Legal and professional | 1,133 | 3,629 |
| Insurance | 2,806 | 3,963 |
| Travelling and conveyance | 26,360 | 25,235 |
| Vehicles' running | 14,144 | 11,175 |
| Entertainment | 3,678 | 3,177 |
| Auditors' remuneration (Note 29.2) | 1,325 | 1,310 |
| Advertisement | 138 | 92 |
| Communication | 6,236 | 7,007 |
| Utilities | 172 | 2,410 |
| Printing and stationery | 1,583 | 1,699 |
| Repair and maintenance | 1,528 | 1,501 |
| Fee and subscription | 7,380 | 7,480 |
| Depreciation (Note 14.1.2) | 25,046 | 27,339 |
| Other charges | 15,569 | 11,942 |
| | 230,731 | 212,147 |

29.1 Salaries and other benefits include provident fund contribution of Rupees 4.817 million (2016: Rupees 4.081 million) by the Company.

29.2 Auditors' remuneration:

| | | |
|---|--------------|--------------|
| Audit fee | 1,250 | 1,250 |
| Other certifications including half yearly review | 75 | 60 |
| | 1,325 | 1,310 |

Notes to the Financial Statements

For the Year ended 30 June 2017

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|---|------------------------------|--------|
| 30. OTHER EXPENSES | | |
| Donations (Note 30.1) | 6,039 | 7,084 |
| Loss on sale of property, plant and equipment | 3,184 | - |
| Unrealized loss on remeasurement of investment at fair value through profit or loss (Note 24) | 5,492 | - |
| Trade debts written off (Note 19.4) | 25 | 282 |
| Loans and advances written off | 984 | - |
| Provision for doubtful tax refunds due from Government (Note 23) | 30,858 | - |
| Workers' profit participation fund (Note 9.1) | 3,277 | 4,582 |
| Workers' welfare fund | 631 | - |
| | 50,490 | 11,948 |
| 30.1 There is no interest of any director or his / her spouse in donees' fund. | | |
| 31. OTHER INCOME | | |
| Income from financial assets | | |
| Net exchange gain | 59,128 | 26,972 |
| Dividend income on investments at fair value through profit or loss | 247 | 7 |
| Gain on sale of investments at fair value through profit or loss | 2,776 | - |
| Unrealized gain on remeasurement of investment at fair value through profit or loss | - | 16 |
| | 62,151 | 26,995 |
| Income from non-financial assets | | |
| Gain on sale of property, plant and equipment | - | 2,619 |
| Amortization of deferred income on sale and leaseback (Note 31.1) | 757 | 841 |
| Credit balances written back | 14,517 | - |
| Rental income | 1,920 | 1,920 |
| | 17,194 | 5,380 |
| | 79,345 | 32,375 |
| 31.1 The Company entered into sale and leaseback arrangement of operating fixed assets. Excess of sales proceeds over carrying amount of operating fixed assets is deferred and being amortized over the lease term. | | |
| 32. FINANCE COST | | |
| Mark up on: | | |
| Long term financing | 20,986 | 13,534 |
| Liabilities against assets subject to finance lease | 502 | 1,698 |
| Short term borrowings | 90,741 | 56,641 |
| Interest on workers' profit participation fund (Note 9.1) | 342 | 296 |
| Bank charges and commission | 21,807 | 24,315 |
| | 134,378 | 96,484 |



Notes to the Financial Statements

For the Year ended 30 June 2017

| | 2017 (RUPEES IN THOUSAND) | 2016 (RUPEES IN THOUSAND) |
|--|------------------------------|------------------------------|
| 33. TAXATION | | |
| Charge for the year: | | |
| Current (Note 33.1) | 78,888 | 33,564 |
| Prior year adjustment | 4,364 | (497) |
| | 83,252 | 33,067 |
| Deferred (Note 33.3) | (14,250) | (22,041) |
| | 69,002 | 11,026 |
| 33.1 Provision for current taxation represents the tax deducted against export sales and minimum tax on local sales under the relevant provisions of the Income Tax Ordinance, 2001 adjusted by tax credits available as at 30 June 2017. The Company has tax losses of Rupees Nil as at 30 June 2017 (2016: Rupees 22.567 million). Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not presented, being impracticable. | | |
| 33.2 Under Section 5A of the Income Tax Ordinance, 2001, a tax shall be imposed at the rate of 7.50% of accounting profit before tax of the Company if it does not distribute at least 40% of its after tax profit for the year within six months of the end of the year ended 30 June 2017 through cash or bonus shares. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on 23 September 2017 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary. | | |
| 33.3 Deferred income tax effect due to: | | |
| Accelerated tax depreciation | 210,772 | 203,137 |
| Liabilities against assets subject to finance lease | (1,220) | (3,574) |
| Unused tax losses | - | (6,996) |
| Provision for doubtful tax refunds due from the Government | (5,259) | - |
| Minimum taxation | (72,719) | (46,743) |
| | 131,574 | 145,824 |
| Opening balance as at 01 July | (145,824) | (167,865) |
| | (14,250) | (22,041) |
| | 2017 | 2016 |
| 34. EARNING PER SHARE - BASIC AND DILUTED | | Restated |
| There is no dilutive effect on the basic earnings per share which is based on: | | |
| Profit attributable to ordinary shareholders (Rupees in thousand) | 82,769 | 75,746 |
| Weighted average number of ordinary shares (Numbers) | 70 275 752 | 66 295 949 |
| Earnings per share (Rupees) | 1.18 | 1.14 |

Notes to the Financial Statements

For the Year ended 30 June 2017

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|---|------------------------------|------------------|
| 35. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 151,771 | 86,772 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation | 258,497 | 238,689 |
| Amortization of deferred income on sale and leaseback | (757) | (841) |
| Trade debts written off | 25 | 282 |
| Loans and advances written off | 984 | - |
| Credit balances written back | (14,517) | - |
| Finance cost | 134,378 | 96,484 |
| Provision for workers' profit participation fund | 3,277 | 4,582 |
| Provision for workers' welfare fund | 631 | - |
| Provision for doubtful tax refunds due from Government | 30,858 | - |
| Loss / (gain) on sale of property, plant and equipment | 3,184 | (2,619) |
| Gain on sale of investments at fair value through profit or loss | (2,776) | - |
| Unrealized loss / (gain) on remeasurement of investments at fair value through profit or loss | 5,492 | (16) |
| Working capital changes (Note 35.1) | (355,904) | (360,019) |
| | 215,143 | 63,314 |
| 35.1 Working capital changes | | |
| (Increase) / decrease in current assets: | | |
| Stores, spare parts and loose tools | (7,529) | (567) |
| Stock-in-trade | (169,891) | (272,093) |
| Trade debts | (174,402) | 79,551 |
| Loans and advances | 7,573 | (1,684) |
| Short term deposits and prepayments | 2,339 | (3,192) |
| Other receivables | (61,596) | (9,050) |
| Tax refunds due from the Government | 16,818 | (102,122) |
| | (386,688) | (309,157) |
| Increase / (decrease) in trade and other payables | 30,784 | (50,862) |
| | (355,904) | (360,019) |

36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for remuneration including all benefits to Chief Executive Officer, Directors and Executives of the Company is as follows:

| | Chief Executive Officer | | Directors | | Executives | |
|--------------------------------|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | ----- (RUPEES IN THOUSAND) ----- | | | | | |
| Managerial remuneration | 8,400 | 8,000 | 18,000 | 8,000 | 50,053 | 44,671 |
| Allowances | | | | | | |
| Utilities | 1,644 | 1,758 | 3,233 | 2,003 | - | - |
| Others | 2,478 | 2,231 | 4,980 | 2,183 | - | - |
| Contribution to provident fund | 467 | 444 | 1,000 | 444 | 2,685 | 2,481 |
| | 12,989 | 12,433 | 27,213 | 12,630 | 52,738 | 47,152 |
| Number of persons | 1 | 1 | 2 | 1 | 35 | 33 |



Notes to the Financial Statements

For the Year ended 30 June 2017

- 36.1** Chief Executive Officer, directors and certain executives of the Company are provided with Company maintained vehicles.
- 36.2** Aggregate amount charged in the financial statements for meeting fee to eight directors was Rupees Nil (2016: Rupees 0.750 million).
- 36.3** No remuneration was paid to non-executive directors of the Company.

37. PROVIDENT FUND RELATED DISCLOSURES

Following information is based on the Employees' Provident Fund Trust's un-audited financial statements for the year ended 30 June 2017 and audited financial statements for the year ended 30 June 2016:

| | Un-Audited 2017 | Audited 2016 |
|---|----------------------|-----------------|
| | (RUPEES IN THOUSAND) | |
| Size of the fund - Total assets | 223,272 | 196,371 |
| Cost of investments out of provident fund | 216,602 | 190,499 |
| Percentage of investments out of provident fund | 97.05% | 97.03% |
| Fair value of investments out of provident fund (Note 37.1) | 216,677 | 190,538 |

- 37.1** The break-up of fair value of investments is as follows:

| | 2017 PERCENTAGE | 2016 PERCENTAGE | | |
|---|--------------------|--------------------|---------|---------|
| Bank balances | 53% | 49% | 114,437 | 93,895 |
| Investment in listed debt collective investment schemes | 46% | 45% | 99,671 | 85,401 |
| Listed securities | 1% | 6% | 2,569 | 11,242 |
| | 100% | 100% | 216,677 | 190,538 |

- 37.2** The above investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

| | 2017 | 2016 |
|---|---------------------|-------|
| | (NUMBER OF PERSONS) | |
| 38. NUMBER OF EMPLOYEES | | |
| Number of employees as on 30 June | 2 262 | 2 341 |
| Average number of employees during the year | 2 279 | 2 309 |

39. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, staff retirement fund, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| | 2017 | 2016 |
|---|----------------------|--------|
| | (RUPEES IN THOUSAND) | |
| Associated Companies | | |
| Sale of goods and services | - | 22,109 |
| Service charges paid | 287 | 3,791 |
| Rental income recovered | 1,920 | 1,920 |
| Other related parties | | |
| Company's contribution to Employees' Provident Fund Trust | 19,354 | 17,952 |
| Loan repaid to directors - net | 196,455 | 66,511 |
| Dividend paid | 29,907 | - |

Notes to the Financial Statements

For the Year ended 30 June 2017

| | | 2017 | 2016 |
|------------|--|-----------------------|--------|
| | | (FIGURES IN THOUSAND) | |
| 40. | PLANT CAPACITY AND ACTUAL PRODUCTION | | |
| | Spinning | | |
| | 100 % plant capacity converted to 20s count based on 3 shifts per day for 1095 shifts (2016: 1 098 shifts) | (Kgs.) 31 286 | 29 912 |
| | Actual production converted to 20s count based on 3 shifts per day for 1093 shifts (2016: 1097 shifts) | (Kgs.) 29 693 | 28 880 |
| | Weaving | | |
| | 100 % plant capacity at 50 picks based on 3 shifts per day for 681 shifts (2016: Nil) | (Kgs.) 3 394 | - |
| | Actual production converted to 50 picks based on 3 shifts per day for 669 shifts (2016: Nil) | (Kgs.) 3 008 | - |

Fabric and Home textile

The plant capacity of these divisions is indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots.

40.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity is mainly due to normal maintenance of spinning machinery and first time installation of weaving machinery during the year.



Notes to the Financial Statements

For the Year ended 30 June 2017

41. SEGMENT INFORMATION

| | Spinning | | Fabric | | Home Textile | | Elimination of Inter-segment transactions | | Total - Company | |
|---|----------------------|-------------|-------------|-----------|--------------|-------------|---|-----------|-----------------|-------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | (RUPEES IN THOUSAND) | | | | | | | | | |
| Revenue | | | | | | | | | | |
| External | 5,886,107 | 5,297,526 | 1,207,498 | 1,076,603 | 1,956,102 | 1,915,018 | - | - | 9,049,707 | 8,289,147 |
| Inter segment | 210,765 | 183,577 | - | - | - | - | (210,765) | (183,577) | - | - |
| Cost of sales | 6,096,872 | 5,481,103 | 1,207,498 | 1,076,603 | 1,956,102 | 1,915,018 | (210,765) | (183,577) | 9,049,707 | 8,289,147 |
| | (5,606,141) | (5,165,524) | (1,133,532) | (972,659) | (1,763,252) | (1,683,652) | 210,765 | 183,577 | (8,292,160) | (7,638,258) |
| Gross profit | 490,731 | 315,579 | 73,966 | 103,944 | 192,850 | 231,366 | - | - | 757,547 | 650,889 |
| Distribution cost | (110,099) | (111,812) | (46,484) | (57,042) | (112,939) | (107,059) | - | - | (269,522) | (275,913) |
| Administrative expenses | (140,780) | (138,287) | (31,638) | (25,674) | (58,313) | (48,186) | - | - | (230,731) | (212,147) |
| | (250,879) | (250,099) | (78,122) | (82,716) | (171,252) | (155,245) | - | - | (500,253) | (488,060) |
| Profit/(loss) before taxation and unallocated income and expenses | 239,852 | 65,480 | (4,156) | 21,228 | 21,598 | 76,121 | - | - | 257,294 | 162,829 |
| Unallocated income and expenses: | | | | | | | | | | |
| Other expenses | | | | | | | | | (50,490) | (11,948) |
| Other income | | | | | | | | | 79,345 | 32,375 |
| Finance cost | | | | | | | | | (134,378) | (96,484) |
| Taxation | | | | | | | | | (69,002) | (11,026) |
| Profit after taxation | | | | | | | | | 82,769 | 75,746 |

Notes to the Financial Statements

For the Year ended 30 June 2017

41.1 Reconciliation of reportable segment assets and liabilities:

| | Spinning | | Fabric | | Home Textile | | Total - Company | |
|--|-----------|-----------|---------|---------|--------------|---------|-----------------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| (RUPEES IN THOUSAND) | | | | | | | | |
| Total assets for reportable segments | 4,535,262 | 4,351,975 | 614,748 | 400,372 | 617,605 | 512,420 | 5,767,615 | 5,264,767 |
| Unallocated assets | | | | | | | 396,121 | 395,028 |
| Total assets as per balance sheet | | | | | | | 6,163,736 | 5,659,795 |
| All segment assets are allocated to reportable segments other than those directly relating to corporate. | | | | | | | | |
| Total liabilities for reportable segments | 1,837,027 | 1,566,697 | 305,049 | 314,037 | 494,168 | 558,773 | 2,636,244 | 2,439,507 |
| Unallocated liabilities | | | | | | | 214,370 | 188,190 |
| Total liabilities as per balance sheet | | | | | | | 2,850,614 | 2,627,697 |

All segment liabilities are allocated to reportable segments other than provision for taxation, deferred income tax liability and other corporate liabilities.

41.2 Geographical Information

The Company's revenue from external customers by geographical locations is detailed below:

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|----------------------------|------------------------------|-----------|
| Europe | 3,029,217 | 2,421,929 |
| America | 109,569 | 456,596 |
| Asia, Africa and Australia | 534,970 | 775,617 |
| Pakistan | 5,375,951 | 4,635,005 |
| | 9,049,707 | 8,289,147 |

41.3 All non-current assets of the Company as at reporting date are located and operating in Pakistan.

41.4 Revenue from major customers

The Company's revenue is earned from a large mix of customers.

42. FINANCIAL RISK MANAGEMENT

42.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments, non-derivative financial instruments and investment of excess liquidity.



Notes to the Financial Statements

For the Year ended 30 June 2017

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to United States Dollar (USD), Euro and Great Britain Pound (GBP). Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

| | 2017 | 2016 |
|---------------------------------|-----------|-----------|
| Cash at banks - USD | 23,007 | 9,972 |
| Trade debts - USD | 2,148,724 | 1,030,720 |
| Trade debts - Euro | 83,763 | 25,258 |
| Trade debts - GBP | 472,559 | 227,757 |
| Trade and other payables - USD | (166,607) | (233,177) |
| Trade and other payables - Euro | (3,269) | (2,778) |
| Trade and other payables - GBP | (2,629) | (1,873) |
| Short term borrowings - USD | (899,327) | - |
| Net exposure - USD | 1,105,797 | 807,515 |
| Net exposure - Euro | 80,494 | 22,480 |
| Net exposure - GBP | 469,930 | 225,884 |

Following significant exchange rates were applied during the year:

Rupees per US Dollar

| | | |
|---------------------|--------|--------|
| Average rate | 104.19 | 103.77 |
| Reporting date rate | 104.80 | 104.50 |

Rupees per Euro

| | | |
|---------------------|--------|--------|
| Average rate | 115.35 | 113.05 |
| Reporting date rate | 119.91 | 116.08 |

Rupees per Great Britain Pound

| | | |
|---------------------|--------|--------|
| Average rate | 136.89 | 152.95 |
| Reporting date rate | 136.42 | 140.12 |

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 5.395 million (2016: Rupees 4.008 million), Rupees 0.449 million (2016: Rupees 0.124 million) and Rupees 2.984 million (2016: Rupees 1.503 million) higher / lower respectively, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

Notes to the Financial Statements

For the Year ended 30 June 2017

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in 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 or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

(iii) Sensitivity analysis

| Index | Impact on profit after taxation | | Impact on statement of other comprehensive income | |
|-----------------------|----------------------------------|------|---|------|
| | 2017 | 2016 | 2017 | 2016 |
| | ----- (RUPEES IN THOUSAND) ----- | | | |
| PSX 100 (5% increase) | 1,656 | - | - | - |
| PSX 100 (5% decrease) | (1,656) | - | - | - |

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease and short term borrowings. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

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

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange Limited (PSX) Index on the Company's profit after taxation and on other comprehensive income for the year. The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|---|------------------------------|---------|
| Fixed rate instruments | | |
| Financial liabilities | | |
| Long term financing | 416,363 | 429,077 |
| Short term borrowings | 825,000 | 785,000 |
| Floating rate instruments | | |
| Financial assets | | |
| Bank balances - saving accounts | - | 19 |
| Financial liabilities | | |
| Long term financing | 44,444 | 50,000 |
| Liabilities against assets subject to finance lease | 7,156 | 21,891 |
| Short term borrowings | 874,275 | 504,379 |



Notes to the Financial Statements

For the Year ended 30 June 2017

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 8.620 million (2016: Rupees 5.474 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming that the amounts of financial instruments outstanding at balance sheet date were outstanding for the whole year.

(b) Credit risk

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

| | 2017 (RUPEES IN THOUSAND) | 2016 |
|--------------------|------------------------------|----------------|
| Loans and advances | 921 | 789 |
| Deposits | 8,747 | 14,476 |
| Trade debts | 688,176 | 513,799 |
| Other receivables | 8,113 | 13,078 |
| Investment | 33,273 | 123 |
| Bank balances | 83,273 | 60,678 |
| | 822,503 | 602,943 |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

| | Rating | | | 2017 | 2016 |
|--|------------|-----------|---------|----------------------|---------------|
| | Short Term | Long term | Agency | (Rupees in thousand) | |
| Banks | | | | | |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | 629 | 4,764 |
| Allied Bank Limited | A1+ | AA+ | PACRA | - | 34 |
| Askari Bank Limited | A1+ | AA+ | PACRA | 754 | 22,373 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | 16,682 | 22,686 |
| Meezan Bank Limited | A-1+ | AA | JCR-VIS | 28,755 | 10,010 |
| NIB Bank Limited | A1+ | AA - | PACRA | 13 | 10 |
| Silkbank Limited | A-2 | A- | JCR-VIS | 9 | 9 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | 30,958 | 302 |
| Al-Baraka Bank (Pakistan) Limited | A1 | A | PACRA | - | 19 |
| The Bank of Punjab | A1+ | AA | PACRA | 3,453 | 63 |
| Summit Bank Limited | A-1 | A- | JCR-VIS | 1,924 | 59 |
| The Bank of Khyber | A1 | A | PACRA | 85 | 349 |
| Bank Alfalah Limited | A1+ | AA+ | PACRA | 1 | - |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | 10 | - |
| | | | | 83,273 | 60,678 |

Notes to the Financial Statements

For the Year ended 30 June 2017

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 19.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2017, the Company had Rupees 4,883.725 million (2016: Rupees 4,643.621 million) available borrowing limits from financial institutions and Rupees 89.044 million (2016: Rupees 68.237 million) cash and bank balances. Management believes the liquidity risk to be low.

Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities, including interest payments as at 30 June 2017:

| Carrying Amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | More than 2 years |
|-----------------|------------------------|------------------|-------------|-----------|-------------------|
|-----------------|------------------------|------------------|-------------|-----------|-------------------|

----- (RUPEES IN THOUSAND) -----

Non-derivative financial liabilities:

| | | | | | | |
|---|------------------|------------------|------------------|----------------|----------------|----------------|
| Long term financing | 460,807 | 495,024 | 96,227 | 99,621 | 160,057 | 139,119 |
| Liabilities against assets subject to finance lease | 7,156 | 7,186 | 7,186 | - | - | - |
| Trade and other payables | 391,703 | 391,703 | 391,703 | - | - | - |
| Accrued mark-up | 17,061 | 17,061 | 17,061 | - | - | - |
| Short term borrowings | 1,730,524 | 1,747,979 | 1,438,980 | 308,999 | - | - |
| | 2,607,251 | 2,658,953 | 1,951,157 | 408,620 | 160,057 | 139,119 |

Contractual maturities of financial liabilities, including interest payments as at 30 June 2016:

Non-derivative financial liabilities:

| | | | | | | |
|---|------------------|------------------|------------------|----------------|----------------|----------------|
| Long term financing | 479,077 | 524,258 | 52,792 | 89,407 | 178,102 | 203,957 |
| Liabilities against assets subject to finance lease | 21,891 | 22,444 | 7,627 | 7,628 | 7,189 | - |
| Trade and other payables | 377,147 | 377,147 | 377,147 | - | - | - |
| Accrued mark-up | 16,254 | 16,254 | 16,254 | - | - | - |
| Short term borrowings | 1,517,083 | 1,524,891 | 1,021,350 | 503,541 | - | - |
| | 2,411,452 | 2,464,994 | 1,475,170 | 600,576 | 185,291 | 203,957 |

The amounts disclosed in the tables are undiscounted cash flows.

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark-up have been disclosed in Note 6, Note 7 and Note 11 to these financial statements.



Notes to the Financial Statements

For the Year ended 30 June 2017

42.2 Financial instruments by categories

| | 2017 | | | 2016 | | |
|--|-----------------------|--------------------------------------|----------------|-----------------------|--------------------------------------|----------------|
| | Loans and receivables | At fair value through profit or loss | Total | Loans and receivables | At fair value through profit or loss | Total |
| (RUPEES IN THOUSAND) | | | | | | |
| Financial assets as per balance sheet | | | | | | |
| Investments | - | 33,273 | 33,273 | - | 123 | 123 |
| Loans and advances | 921 | - | 921 | 789 | - | 789 |
| Deposits | 8,747 | - | 8,747 | 14,476 | - | 14,476 |
| Trade debts | 688,176 | - | 688,176 | 513,799 | - | 513,799 |
| Other receivables | 8,113 | - | 8,113 | 13,078 | - | 13,078 |
| Cash and bank balances | 89,044 | - | 89,044 | 68,237 | - | 68,237 |
| | 795,001 | 33,273 | 828,274 | 610,379 | 123 | 610,502 |

| | At amortized cost | |
|---|-------------------|------------------|
| | 2017 | 2016 |
| (RUPEES IN THOUSAND) | | |
| Financial assets as per balance sheet | | |
| Long term financing | 460,807 | 479,077 |
| Liabilities against assets subject to finance lease | 7,156 | 21,891 |
| Accrued mark-up | 17,061 | 16,254 |
| Short term borrowings | 1,730,524 | 1,517,083 |
| Trade and other payables | 391,703 | 377,147 |
| | 2,607,251 | 2,411,452 |

42.3 Offsetting financial assets and financial liabilities

As on balance sheet date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

42.4 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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends to be paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in Note 6, Note 7 and Note 11 respectively. Total capital employed includes 'total equity' plus 'borrowings'. The Company's overall strategy remained unchanged from year 2016.

Notes to the Financial Statements

For the Year ended 30 June 2017

| | | 2017 | 2016 |
|------------------------|--------------------|-----------|-----------|
| Borrowings | Rupees in thousand | 2,198,487 | 2,018,051 |
| Total equity | Rupees in thousand | 3,088,491 | 2,853,464 |
| Total capital employed | Rupees in thousand | 5,286,978 | 4,871,515 |
| Gearing ratio | Percentage | 41.58 | 41.43 |

43 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

Fair Value Hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into following three levels. An explanation of each level follows underneath the table:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|--------|
| ----- (RUPEES IN THOUSAND) ----- | | | | |
| Recurring fair value measurement | | | | |
| At 30 June 2017 | | | | |
| Financial assets | | | | |
| At fair value through profit or loss | 33,273 | - | - | 33,273 |
| Financial liabilities | | | | |
| Derivative financial liabilities | - | 4,212 | - | 4,212 |
| Recurring fair value measurement | | | | |
| At 30 June 2016 | | | | |
| At fair value through profit or loss | 123 | - | - | 123 |

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to the short-term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.



Notes to the Financial Statements

For the Year ended 30 June 2017

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation technique used to value financial instruments was the use of quoted market prices.

44. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|----------|----------------|----------|----------------|
| ----- (RUPEES IN THOUSAND) ----- | | | | |
| At 30 June 2017 | | | | |
| Freehold land | - | 284,097 | - | 284,097 |
| Total non-financial assets | - | 284,097 | - | 284,097 |
| At 30 June 2016 | | | | |
| Freehold land | - | 236,472 | - | 236,472 |
| Total non-financial assets | - | 236,472 | - | 236,472 |

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

(ii) Valuation techniques used to determine level 2 fair values

At the end of each reporting period, the management updates the assessment of the fair value of each property, taking into account the most recent independent valuation. The best evidence of fair value is current prices in an active market for similar properties.

Notes to the Financial Statements

For the Year ended 30 June 2017

The level 2 fair value of land has been derived using the market value approach. The key inputs under this approach are the market price per kanal determined by using independent market inquires and comparing prices of similar land in the area (location and size).

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land. As at 30 June 2017, the fair value of freehold land has been determined by Messrs Harvester Services (Private) Limited.

Changes in fair values are analyzed at each reporting date during the annual valuation discussion between the Chief Financial Officer and the valuers. As part of this discussion the team presents a report that explains the reason for the fair value movements.

45. NON ADJUSTING EVENT AFTER REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2017 of Rupees 0.50 per share (2016: Rupee 0.50 per share) at their meeting held on 23 September 2017. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 23 September 2017 by the Board of Directors of the Company.

47. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.

48. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.



Jawed Anwar
Chairman



Faiq Jawed
Chief Executive Officer



Mrs. Sadaf Aamir
Director



Ghulam Muhammad
Chief Financial Officer



Detail of Categories

| Share Holders As On June 30, 2017 | No. of Share Holders | Shares Held |
|---|----------------------|-------------------|
| Financial Institutions | | |
| National Bank of Pakistan | 1 | 191 |
| Industrial Development Bank of Pakistan (IDBP) | 1 | 3,170 |
| | 2 | 3,361 |
| Leasing Company | | |
| Pakistan Industrial & Commercial Leasing Ltd | 1 | 3,885 |
| | 1 | 3,885 |
| Modaraba Companies | | |
| First Prudential Modarba | 1 | 3,255 |
| Prudential Capital Management Ltd | 1 | 2,625 |
| | 2 | 5,880 |
| Investment Companies | | |
| Trustee-National Bank of Pakistan-Employees benevolent Fund | 1 | 1,093 |
| Trustee-National Bank of Pakistan-Employees Pension Fund | 1 | 31,157 |
| | 2 | 32,250 |
| Insurance Companies | | |
| Pakistan Guarantee Insurance Company Ltd | 1 | 525 |
| Gulf Insurance Company Ltd | 1 | 4,935 |
| | 2 | 5,460 |
| Director's CEO's & Their Spouses | | |
| Mr. Jawed Anwar (Chairman/Director) | 1 | 28,878,748 |
| Mr. Faiq Jawed (Chief Executive Officer) | 1 | 18,077,582 |
| Mr. Shaiq Jawed (Director) | 1 | 11,265,744 |
| Mrs. Farhat Jehan (Director) | 1 | 11,303,256 |
| Mrs. Nageen Faiq (Director) | 1 | 758,040 |
| Mrs. Sadaf Aamir Arshad (Director) | 1 | 1,164,600 |
| Mrs. Mahwish Shaiq (Director) | 1 | 600 |
| Mr. Rehan Ashfaq (Director) | 1 | 600 |
| | 8 | 71,449,170 |
| Joint Stock Companies | | |
| Maple Leaf Capital Ltd | 1 | 1 |
| Sultan Textile Mills Karachi Ltd | 1 | 6 |
| | 2 | 7 |
| Individuals | 234 | 1,583,917 |
| Grand Total | 253 | 73,083,930 |

Shareholders Holding 10% Or More Voting Interest in The Company As On June 30, 2017

| Director's CEO's | Shares Held | % Age |
|--|-------------|-------|
| Mr. Jawed Anwar (Chairman/Director) | 28,878,748 | 39.51 |
| Mr. Faiq Jawed (Chief Executive Officer) | 18,077,582 | 24.74 |
| Mr. Shaiq Jawed (Director) | 11,265,744 | 15.41 |
| Mrs. Farhat Jehan (Director) | 11,303,256 | 15.47 |

Pattern of Shareholding

As on June 30, 2017

| No. of Share Holders | Share Holding | | Total Shares Held |
|----------------------|---------------|------------|-------------------|
| | From | To | |
| 56 | 1 | 100 | 1,044 |
| 44 | 101 | 500 | 12,286 |
| 41 | 501 | 1000 | 28,370 |
| 69 | 1,001 | 5,000 | 151,932 |
| 15 | 5,001 | 10,000 | 96,731 |
| 4 | 10,001 | 15,000 | 55,601 |
| 3 | 15,001 | 16,000 | 46,622 |
| 5 | 20,001 | 37,000 | 147,157 |
| 3 | 40,001 | 47,000 | 127,334 |
| 2 | 56,001 | 63,000 | 119,000 |
| 2 | 105,001 | 110,000 | 215,883 |
| 1 | 126,001 | 127,000 | 127,000 |
| 1 | 146,001 | 147,000 | 147,000 |
| 1 | 355,001 | 360,000 | 360,000 |
| 1 | 755,001 | 760,000 | 758,040 |
| 1 | 1,164,001 | 1,165,000 | 1,164,600 |
| 1 | 11,265,001 | 11,270,000 | 11,265,744 |
| 1 | 11,303,001 | 11,305,000 | 11,303,256 |
| 1 | 18,077,001 | 18,078,000 | 18,077,582 |
| 1 | 28,870,001 | 28,880,000 | 28,878,748 |
| 253 | | | 73,083,930 |

Pattern of Shareholding

| S.No. | Categories of Share Holders | No. of Share Holders | Shares Held | Percentage |
|-------|----------------------------------|----------------------|-------------------|---------------|
| 1 | Financial Institutions | 2 | 3,361 | 0.00 |
| 2 | Leasing Company | 1 | 3,885 | 0.01 |
| 3 | Investment Companies | 2 | 32,250 | 0.04 |
| 4 | Insurance Companies | 2 | 5,460 | 0.01 |
| 5 | Joint Stock Companies | 2 | 7 | 0.00 |
| 6 | Modarba Companies | 2 | 5,880 | 0.01 |
| 7 | Directores, CEOs & Their Spouses | 8 | 71,449,170 | 97.76 |
| 8 | Individuals | 234 | 1,583,917 | 2.17 |
| | Total | 253 | 73,083,930 | 100.00 |



To: All Members of Company

Sub: Abstract under section 218 of Companies Ordinance, 1984.

Pursuant to section 218 of the Companies' Ordinance, 1984. The members of the Company are hereby notified that the board of directors in a meeting dated 1st July, 2016, has approved the remuneration of the Company's Chairman, Mr. Jawed Anwar with effect from 1st July, 2016. His remuneration will be Rs: 800,000 Per Month. The company will pay his all taxes; reimburse his all utility bills & all other such facilities which are permissible as per Company's Rules and Regulations.

Syed Hussain Shahid Mansoor Naqvi
Company Secretary

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(based on live feed from KSE)
- 📖 Knowledge center
- 📊 Risk profiler*
- 📄 Financial calculator
- 📱 Subscription to Alerts (event notifications, corporate and regulatory actions)
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- 📄 Online Quizzes



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Form of Proxy

I / We _____ being member(s) of J.K. Spinning Mills Limited and holder of _____ Shares as per Folio No. _____ CDC Participation ID # _____ and Sub Account # _____ / CDC Investor Account ID # _____ do hereby appoint _____ of _____ or failing him/her _____ of _____ having Folio No. _____ CDC Participation ID # _____ and Sub Account # _____ / CDC Investor Account ID # _____ as my/our proxy to attend, speak and vote for me/ us and on my/our behalf at the 31ST Annual General Meeting of **J.K. Spinning Mills Limited** scheduled to be held on Monday, 30th October, 2017 at 10:00 A.M, and at any adjournment thereof.

At witness my/our hand this _____ day of _____ 2017.

Witness:

1. Name _____
 N.I.C _____
 Address _____

2. Name _____
 N.I.C _____
 Address _____

Please affix here Revenue
 Stamps of Rs 5/-

Member's Signature

Note:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy.
2. The instrument appointing a Proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Share Registrar Office of the Company, Orient Software & Management Services (Pvt.) Limited, 35-Z, Ameer Plaza, Opposite Mujahid Hospital, Commercial Centre, Madina Town, Faisalabad, not less than 48 hours before the time of holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular# 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for appointing Proxies:
 - i) In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.
 - v) In case of a corporate entity, the Board of Directors' resolution/Power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

پراکسی فارم

میں مسٹر مسز زمرس ساکن بحیثیت ممبر جے کے سپیننگ ملز لمیٹڈ ہولڈنگ
 شمیر ذیلی نمبر کے تحت مسٹر مسز زمرس ساکن
 یا فرد مذکورہ کی عدم دستیابی کی صورت میں مسٹر مسز زمرس
 ساکن کو اپنا نمائندہ مقرر کرتا کرتی ہوں کے 30 اکتوبر 2017 بروز ہفتہ کو صبح دس بجے (10:00) منعقد ہونے والے جے کے سپیننگ
 ملز لمیٹڈ کے اکتیسویں سالانہ اجلاس اور اس کے بعد کسی بھی اور کہیں بھی منعقد ہونے والے دوسرے اجلاس کے لیے اپنا نمائندہ مقرر کر سکتا رہتی ہوں۔

5/- روپے کا
 محصول ٹکٹ

مورخہ اکتوبر 2017

دستخط شمیر ہولڈر

(دستخط کہنی کے پاس دستخط کے نمونہ کے مطابق ہوں)

قومی شناختی کارڈ نمبر / پاسپورٹ نمبر

دستخط مقرر کردہ نمائندہ
 اکتیسویں

گواہان:

1- دستخط نام
 2- دستخط نام
 پتہ پتہ
 قومی شناختی کارڈ نمبر قومی شناختی کارڈ نمبر

نوٹ:

1- پراکسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرڈ دفتر میں جمع کرادیا جائے۔

2- اگر کوئی ممبر ایک سے زیادہ پراکسی فارم کمپنی کے رجسٹرڈ دفتر میں جمع کروادے گا تو پراکسی فارم قابل قبول نہیں ہوگا۔

3- مقرر کردہ نمائندے کے لیے کمپنی کا ممبر ہونا لازمی نہیں۔

سی ڈی سی اکاؤنٹ ہولڈر کارپوریٹ انٹیلی ہونے کی صورت میں درج ذیل شرائط پر عمل کرنا ہوگا۔

(i) ممبر اور پراکسی کے قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپیاں پراکسی فارم کے ہمراہ منسلک کرنی ہوںگی۔

(ii) پراکسی کو اجلاس کے وقت اپنا اصل قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔

(iii) کارپوریٹ انٹیلی کی صورت میں ڈائریکٹرز کی پاس کردہ قرارداد / پاور آف اٹارنی مع نامزد فرد کے دستخط کا نمونہ پراکسی فارم کے ہمراہ اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرڈ دفتر

میں جمع کرانا ہوگی۔



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