Fazal Cloth Mills Limited

2017 ANNUAL REPORT

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Financial Statements of Fazal Cloth Mills Limited

Consolidated Financial Statements of Fazal Cloth Mills Limited (The Group)

Company Information

Board of Directors	Sh.Naseem Ahmad	Chief Executive Officer
	Mr.Rehman Naseem	Chairman
	Mr. Amir Naseem Sheikh	
	Mr. Fazal AhmedSheikh	
	Mr. Faisal Ahmed	
	Mr. Fahd Mukhtar	
	Mr. Babar Ali	Independent Director
Audit Committee	Mr. Babar Ali	Chairman
	Mr. Rehman Naseem	Member
	Mr. Fahd Mukhtar	Member
Human Resource and Remuneration Committee	Mr. Rehman Naseem	Chairman
	Mrs. Amir Naseem Sheikh	Member
	Mr.Faisal Ahmad	Member
Company Secretary	Mr. Asad Mustafa	
Chief Financial Officer	Mr. Faizan ul Haq	
Auditors	KPMG Taseer Hadi & Co., Chartered Accountants	

Bankers

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

Head Office & Shares Department:
59/3, Abdali Road, Multan.
Phone: (92) 61-4579001-7,4781637 Fax: (92) 61-4541832
E-mail: corporate@fazalcloth.com; arfan.zahid@fazalcloth.com
Website: www.fazalcloth.com

Shares Registrar:
Vision Consulting Ltd.
3-C, LDA Flats, Lawrence Road, Lahore.shares@vcl.com.pk
Phone: (92) 42-36283096, 36283097 Fax: (92) 42-36312550

Registered Office:
69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore.
Phone: (92) 42-36684909

Mills:
i) Fazal Nagar, Jhang Road, Muzaffargarh– Pakistan
Ph. (92) 66-2422216,18 Fax: (92) 66-2422217

ii) QadirpurRawan Bypass, Khanewal Road, Multan – Pakistan
Ph. (92)61-6740041-43, Fax : (92) 61-6740052

Corporate Vision / Mission Statement

Vision

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

Mission

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

Corporate Values & Code of Conduct

The Company has adopted the following corporate values:

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

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

Salient Features For The Code Of Conduct For Directors

Compliance with Laws

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

Conflict of interest

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

Corporate Opportunity

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

Confidentiality

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

Fair Dealing

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

Protection and Proper Use of the Company Assets

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

Reporting any Illegal or Unethical Behavior

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

Public Company Reporting

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

Disclosure of Interest

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

Insider Trading

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

Salient Features For The Code Of Conduct For Employees

Safety

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

Fitness for Duty

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

Attendance Report

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

Work Place Harassment and Discrimination

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

Environment

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

Workplace Violence

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

Weapons in Workplace

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

Protection and proper use of the Company Assets

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

Computer and System Security

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

Fair Dealing

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

Bribery

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

Confidential Information

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

Regulatory Compliance and Corporate governance

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

Financial Integrity

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

Alcohol, Drugs and Gambling

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

Insider Trading

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

Audit Committee

Members

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

Terms of Reference

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

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

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

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

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

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

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

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

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

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

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

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

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

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

M. Determination of compliance with relevant statutory requirements;

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

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

Human Resource & Remuneration (HR& R) Committee

Members

1.	Mr. Rehman Naseem	Chairman
2.	Mr. Amir Naseem Sheikh	Member
3.	Mr. Faisal Ahmad	Member

Terms of Reference

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

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

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

NOTICE OF MEETING

Notice is hereby given that the **52nd Annual General Meeting** of the Shareholders of the Company M/S. FAZAL CLOTH MILLS LIMITED will be held on Saturday, October 28, 2017 at 11:00 a.m. at E-110, Khayaban-e-Jinnah, Lahore Cantt.

ORDINARY BUSINESS

1. To confirm the minutes of the last Extra Ordinary General Meeting of the Company held on May 30th, 2017.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2017 together with the Auditors' and Director's Report thereon.

3. To consider and approve payment of final Cash Dividend for the year ended June 30, 2017 at the rate of **Rs. 5.25** (Rupees**five** and Paisa **twenty five** Only) per Ordinary Share of Rs.10.00 each (2016: Rs. 2.50) as recommended by the Board of Directors.

4. To appoint External Auditors of the Company for the Financial Year Ending **June 30, 2018** and fix their remuneration. M/s. KPMG TaseerHadi& CO., Chartered Accountants, Lahore, External Auditors of the Company retires and being eligible offers themselves for re-appointment.

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

SPECIAL BUSINESS

6. To consider making investment in **"Fatima Electric Company Limited"**(FECL) Associated Undertaking under Section 199 of the Companies Act, 2017 and seek approval from the shareholders and if thought fit to pass the following resolutions as Special Resolutions with or with-out modifications:

a) "**RESOLVED THAT** an equity investment up-to Rs.70,000/- (Pak Rupees Seventy Thousand Only) be and is hereby made in "Fatima Electric Company Limited", an Associated Undertaking by way of acquisition of equivalent amount of Ordinary Shares of Rs.10/- each representing 20% of the total equity of the Associated Undertaking and making payments either partially or lump-sum to the Associated Undertaking, as determined by the Board of Directors".

b) "**FURTHER RESOLVED THAT** the upon investment in "Fatima Electric Company Limited", an Associated Undertaking markup to be charged by the Company under the Section 199 of the Companies Act, 2017 till the date shares of the Associated Undertaking are issued to the Company".

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

BY ORDER OF THE BOARD

Sd/-
Asad Mustafa
Company Secretary

MULTAN.
Dated: October 05, 2017.

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 21, 2017 to October 28, 2017 (both days inclusive). Physical transfers / CDS Transaction IDs received at the Company's Share Registrar, M/s. Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, at the close of business on October 20, 2017 will be considered in time for the purpose of above entitlement and to determine voting rights of the shareholders for attending the meeting.

2. A member eligible to attend, speak and vote at this meeting may appoint another member as his/her proxy and CDC shareholders shall attach an attested copy of his/her Computerized National Identity Card (CNIC) / Passport. Proxies, in order to be effective, must reach at the Company's Registered Office not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. Representatives of corporate members should bring the usual documents required for such purpose.

3. The Members, who desire for receiving the audited financial statements and AGM Notice through e-mail, are requested to send their written consent on a Standard Request Form available on website <www.fazalcloth.com/downloads.php> in order to avail this facility.

4. Shareholders are requested to notify / submit the following information & documents, in case of book entry securities in CDS to their respective CDS participants and in case of physical shares to our Share Registrar, if not earlier provided / notified:-

   a. Change in their addresses;

   b. **Mandatory Requirement of Bank Account Details for Electronic Credit of Cash Dividend Payment as Per the Companies Act, 2017.** This is to inform you that in accordance with the section 242 of the Companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly into the bank account designed by the entitled shareholders. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information to your respective CDC Participant / CDC Investor Account Services (in case your shareholding is in book Entry Form) OR to our Share Registrar (in case your shareholding is in Physical Form):

Name of Shareholder	
Folio / CDS Account No.	
Title of Bank Account	
International Bank Account Number (IBAN) “Mandatory”	
Bank’s Name	
Branch Name and address	
CNIC No.	
Cell number	
Landline number	
Email	

   c. Valid and legible copies of CNIC for printing of CNIC number(s) on their Dividend Warrant(s) as required vide SRO 831 (I)/2012 dated July 05, 2012. In case of non-submission of valid & legible copy of CNIC, the Company will be constrained to withhold the Dividend Warrant(s) under Section 251(2) of the Companies Ordinance, 1984; All shareholders are therefore advised to submit a photocopy of their valid CNICs IMMEDIATELY to share Registrar or Shares Office.

d. Valid and legible copies of National Tax Number (NTN) or NTN Certificate(s) of corporate entities and must quote the company name and their respective folio numbers thereon while sending the copies; .

e. Pursuant to requirement of the Finance Act, 2016-17 Section 150 of the Income Tax Ordinance 2001, the 'Filer' & 'Non-Filer' shareholders will pay tax on dividend income @15% and 20% respectively. Therefore, please ensure that their name(s) have been entered into Active Taxpayers List (ATL) provided on website www.fbr.gov.pk of the Federal Board of Revenue (FBR), despite the fact that the shareholder is a filer, before the payment date of cash dividend i.e. **November 15, 2017**, otherwise tax on cash dividend will be deducted @20 % instead of 15%.

f. As per clarification of FBR, each shareholder is to be treated individually as either a 'Filer' or 'Non-Filer' and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing within 10 days from entitlement date i.e. October 20, 2017 as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

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

g. **Notice to the Shareholders in terms of section 244 of the Companies Act 2017, to files their respective claims in respect of unpaid Dividend that remained unclaimed** for a period of three years (or more). In terms of section 244 of the Companies Act, 2017 (the Act) promulgated on May 30, 2017, Companies are required to deposit with the Federal Government, all the dividends, which remain unclaimed or unpaid for a period of three years from the date of issue. In view of the forgoing, it is to inform you that if you have any outstanding/ unclaimed dividend(s), in respect of your account, you are therefore, advised to contact and lodge your claim to the share Registrar of the Company..

h. Exemptions - Deduction of Tax and Zakat on Dividend entitlement: Members who wants to avail the exemptions on their respective dividend entitlement are requested to furnish the following documents to the Company/Shares Registrar, if not provided earlier:

a) Valid income tax exemption certificate issued by the concerned Commissioner of inland Revenue in order to avail tax exemption under Section 150 of the Income Tax Ordinance, 2001 (tax on dividend) where the statutory exemption under clause 47B of Part IV of Second Schedule is available and want to avail exemption under Section 150 of the Ordinance, otherwise tax will be deducted under the provisions of laws.

b) Zakat exemption certificate/undertaking as per Zakat &Ushr Ordinance, 1980.

I For any query / information, the shareholders may contact with the Company Secretary at the above Head Office and / or Mr. Abdul Ghaffar Ghaffari of Share Registrar, Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, Ph. Nos. (042) 36283096-97.

j. The audited financial statements for the year ended June 30, 2017 are available on website of the Company <www.fazalcloth.com>.

STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017 – REGARDING SPECIAL BUSINESS No 6 :

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company

The Board of Directors of the Company ("the Board") in their Meeting held on October 05, 2017 have decided to make equityinvestment in the FECL, Associated Undertaking subject to the approval by the shareholders in theforthcomingAnnual General Meeting of the Company.FECL was incorporated as an Special Purpose Vehicle to build, own & operate Coal based Power Project in near future.

The proposed investment in FECL shall contain the following disclosure in accordance with clause (a) of Regulation 3 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 (the "Regulations"):

Ref No.	Requirement	Information
(i)	Name of the Company& criteria of Association	**Fatima Electric Company Limited ("FECL"),** an Associated Undertaking based on common directorship.
(ii)	Purpose, benefit of investment	To facilitate the investee company to build, own & operate Coal based Power Project. The Company will earn dividends on this investment in FECL even the Company will charge mark up to investee company for the interim period till the date shares are issued to the Company.
	Period of investment	Investment will be held with intention as long term.
(iii)	Maximum amount of investment	Equity investment upto the sum of Rs 70,000.
(iv)	Maximum price at which securities / shares will be acquired	At face value i.e. Rs.10/- per share.
(v)	Maximum number of securities / shares to be acquired	Maximum upto7,000/- shares
(vi)	Number of securities / shares and percentage thereof held before and after proposed investment	a) Number of shares held before proposed investment is NIL hence, NIL holding percentage in equity of FECL. b) After proposed investment number of shares will be 7,000/- representing 20% equity of FECL.
(vii)	In case of investment in listed securities/ shares, average of the preceding twelve weekly average price of the security/shares intended to be acquired;	FECL is an unlisted company. Therefore, market price of its share is not applicable /available.
(viii)	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6 (1)	The Company was incorporated just on 29 Feb 2016. Ist financial statements for period Feb 29, 2016 till June 30, 2017 have been prepared with few incorporation expenses only and fixed / operating assets and liabilities do not exist. Therefore value of its share can not be determined under clause 6(1) of the Regulations.

Ref No.	Requirement	Information
(ix)	Break-up value securities intended to be acquired on the basis of the latest audited financial statements	Break-up value of shares is PKR 8.39 per share.
(x)	Earnings per share of the associated company or associated undertaking for the last three years	The company has not yet commenced its operations.
(xi)	Source of funds from which securities will be acquired	Retained earnings and internal cash generations of the Company.
(xii)	Where the securities are intended to be acquired using borrowed fund	Not Applicable
(xiii)	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with this regard to the proposed investment	Agreement may be entered after approval of said investment from shareholders.
(xiv)	Direct or indirect interest of the directors, sponsor, majority shareholders and their relatives, in the associated company	The Directors have no special interest in the investment except their personal shareholding.
(xv)	Any other important details necessary for the members to understand the transaction; and	NIL
(xvi)	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely;	
(XII)	Description of project and its history since conceptualization	Fazal Cloth Mills Limited ("**FCML**"), Fatima Holding Limited ("**FHL**") and Fatima Fertilizers Company Ltd **(FFCL)**and Pakarab Fertilizers Limited **(PFL)** (collectively the "**Sponsors**") are the associated and have established FECL as an Special Purpose Vehicle to build, own & operate Coal based Power Project in near future.

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(XIII)	Time by which such project shall become commercially operational; and	Start/completion of construction work, start of operation etc. depends on the regulatory approvals of concerned GoP departments, once approved commercial operations will be started in a period of 3 years' time.
(XIX)	Time by which such project shall become commercially operational; and	
(XX)	Time by which the project shall start paying return on investment	

BY ORDER OF THE BOARD

Multan
Dated: Oct 05, 2017.

Sd/-
(ASAD MUSTAFA)
Company Secretary

Statement UnderRule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of Investee company	Fatima Transmission Company Limited (FTCL)			Fatima Energy Limited (FEL)			Pakarab Energy Limited (PEL)
Total investment approved	Rs. 70 Million Equity investment (approx. 37.50 % of total paid-up capital) was approved in EOGM on June 23, 2015 for the period of Three (3) years.	Rs. 300 Million loan was approved in AGM on October 31, 2015 and will be repayable within one year from date of disbursal	The approval from shareholders to enter into SSA obtained in Annual General meeting of the Company held on October 31, 2016. As per SSA the Company as sponsor commits the NIB, in case of default by FTCL, to pay amount outstanding. Further, terms and conditions with FTCL in case of fulfillment of such guarantee were approved by the shareholders on March 25, 2017.	Rs. 2,650 Million Equity investment (approx. 37.50 % of total paid-up capital) was approved in EOGM on May 30, 2014 for the period of Three (3) years.In EOGM dated May 30, 2017 period for investment enhanced till May 30, 2019 or COD whichever is earlier.	Rs. 500 Million loan was approved in EOGM on May 30, 2017 and will be repayable within ten years from date of disbursal	The approval from shareholders to enter into SSA obtained in EOGM of the Company held on May 30, 2017. As per SSA the Company as sponsor commits to lenders of FEL, in case of default by FEL, to pay amount outstanding up to Rs9,028 million.	Rs. 3,000 Million Equity investment (approx. 24 % of total paid-up capital) was approved in EOGM on June 23, 2015 for the period of Three (3) years.
Amount of investment made to date	Rs. 66,961,200	NIL	NIL	Investment of Rs. 1,374 Million being in equity of Fatima Energy Ltd. An advance for shares of Rs 304,882,685 and Rs.150,044,910 have also been given to FEL.	NIL	NIL	Investment of Rs. 25,904,160 in equity of Pakarab Energy Ltd.

Name of Investee company	Fatima Transmission Company Limited (FTCL)			Fatima Energy Limited (FEL)			Pakarab Energy Limited (PEL)
Reasons for not having made complete investment so far where resolution required it to be implemented in specific time	Partial investment has been made, further investment will be made depending on demand received from investee company	No loan has been granted till date of this notice, as funds request has not yet been made by the investee company.	Outstanding amount to NIB on behalf of FTCL will be paid in case of default by FTCL. No default yet made by FTCL.	Partial investment has been made, further investment will be made depending on demand received from investee company	The loan/ investment will be made depending on demand received from investee company	Amount to lenders of FEL will be paid in case of default by FEL. No default yet made by the Company.	Partial investment has been made, further investment will be made depending on demand received from investee company
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	As per audited financial statements for the year ended June 30, 2015, the basic earnings per share wasRs. (8.78) / Shares and breakup value of share was Rs. 1.22 / share. As per latest available audited financial statements for the half year ended December 31, 2016, the basic earnings per share is Rs. (0.005) / Shares and breakup value of share is Rs. 9.76 / share.	As per audited financial statements for the year ended June 30, 2015, the basic earnings per share wasRs. (8.78) / Shares and breakup value of share was Rs. 1.22 / share. As per latest available audited financial statements for the half year ended December 31, 2016, the basic earnings per share is Rs. (0.005) / Shares and breakup value of share is Rs. 9.76 / share.	As per financial statements for the year ended June 30, 2016, the basic earnings per share wasRs. (147.96) / Shares and breakup value of share was Rs. (146.74) / share. As per latest available audited financial statements for the half year ended December 31, 2016, the basic earnings per share is Rs. (0.005) / Shares and breakup value of share is Rs. 9.76 / share.	As per financial statements for the year ended June 30, 2014, the basic earnings per share wasRs. (703.75) / Share and breakup value of share was Rs. (932.25) / share. As per latest available financial statements for the half year ended December 31, 2016, the basic earnings per share is Rs. (0.019) / Shares and breakup value of share is Rs. 9.80 / share.	As per latest available financial statements for the half year ended December 31, 2016, the basic earnings per share is Rs. (0.019) / Shares and breakup value of share is Rs. 9.80 / share.	As per latest available financial statements for the half year ended December 31, 2016, the basic earnings per share is Rs. (0.019) / Shares and breakup value of share is Rs. 9.80 / share.	As per financial statements for the year ended June 30, 2015, total assets of the company were Rs. 335,157, total liabilities were Rs. 383,127 while equity was Rs. (47,970) . As per latest available financial statements for the year ended June 30, 2016, the total assets of the Company are Rs. 87,648,222, total liabilities are Rs. 16,744,369 while equity is Rs. 70,903,853.

Directors Report

Directors of Fazal Cloth Mills Limited (the Company) are pleased to present annual report of the Company for the year ended 30 June 2017 along with the financial statements and auditors' report thereon.

FINANCIAL REVIEW

Financial Performance

Financial performance of the Company improved during the current year inspite of cut throat competition and high operating costs. Profit after tax of the Company increased to Rupees 388.29 million in financial year 2016-17 from Rupees 149.56 million in financial year 2015-16 registering an increase of 159.61%. Increase in profit was a result of the Duty Drawbacks on Exports allowed by the Government of Pakistan on all exports since January 2017.

Following is a summary of the key financial numbers:

Financial Highlights	2017 Rupees in ('000')	2016 Rupees in ('000')	Increase / (decrease) % age
Sales - net	26,554,951	20,615,979	28.81%
Cost of sales	24,772,649	18,861,646	31.34%
Gross profit	1,782,302	1,754,333	1.59%
EBITDA	2,227,290	2,154,725	3.37%
Depreciation	757,093	781,369	(3.11%)
Finance cost	878,789	917,294	(4.20%)
Other income	416,675	326,753	27.52%
Profit before tax	591,408	456,062	29.68%
Profit after tax	388,287	149,564	159.61%

Sales of the Company increased by Rupees 5,938.97 million (28.81%) in the current year as compared to the last year. The increase was mainly due to an increase in sales volume and sales price. Sales during FY 2016-17 were highest in the last five years.

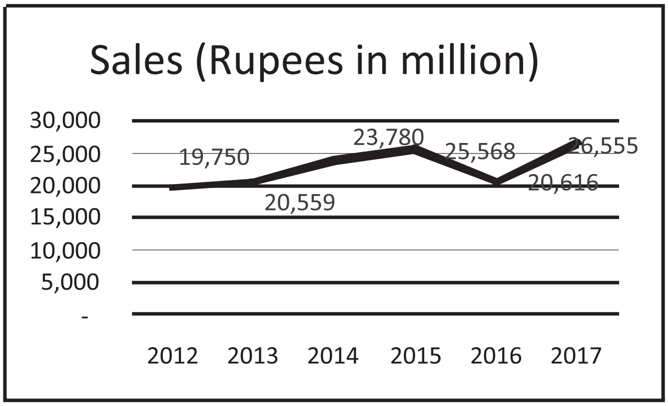
Cost of Sales increased by Rupees 5,911.00 million (31.34%) in the current year as compared to the last year; mainly due to increase in prices of raw materials and energy costs per unit.

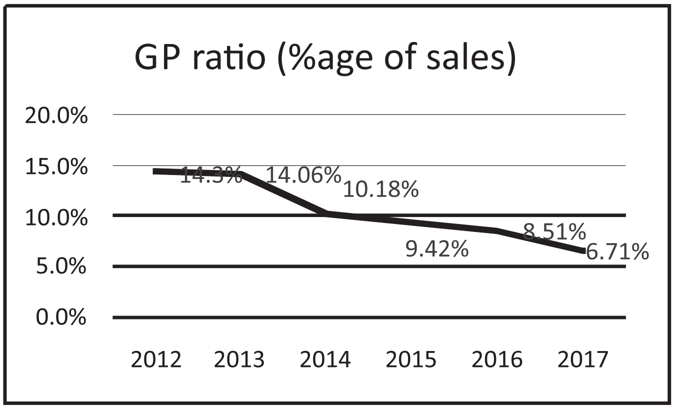
As a result, Gross profit ratio decreased to 6.7% in the current year as compared to 8.51% in the last year.

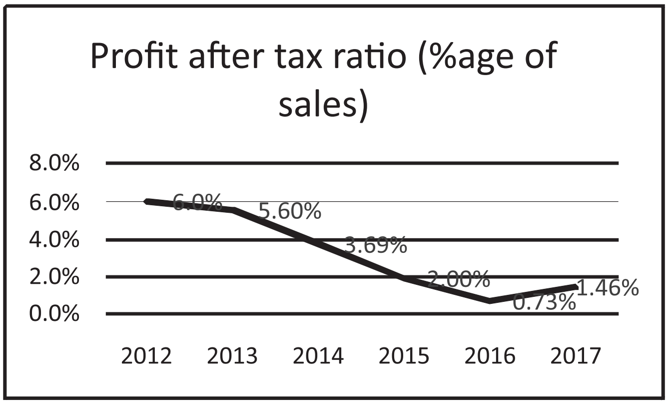
The Company received dividend income of Rupees 226 million during the year as compared Rupees 192 million during the last year.

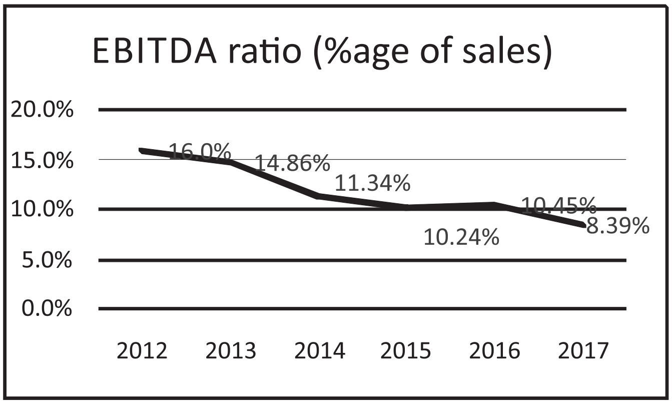
EBITDA of Rupees 2,227 million was generated as compared to Rupees 2,155 million last year. EBITDA per share is Rupees 74.24 (2016: Rupees 71.82).

Finance cost of the Company recorded a decrease of 4.2% in the current year as compared to the last year. The main reasons for decrease were improved cash flows due to increase in profitability, availability of SBP's LTFF loans, reduced spreads on loans utilized and stringent financial management.



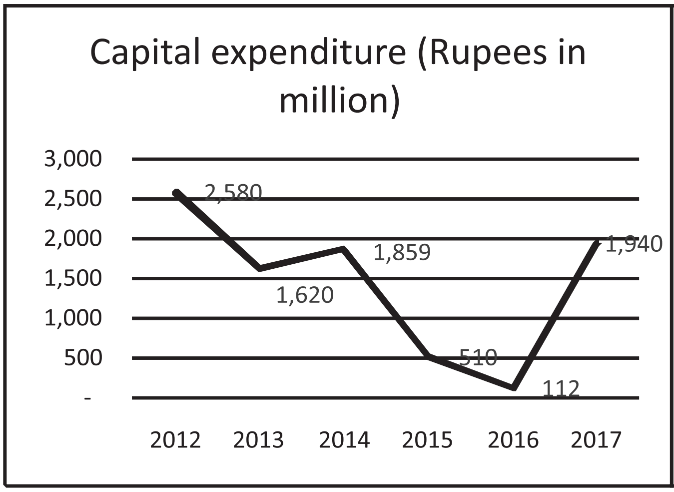


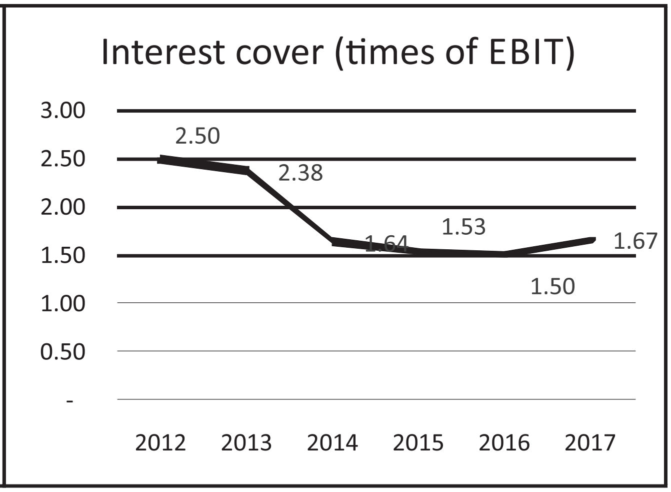




Capital Expenditure.

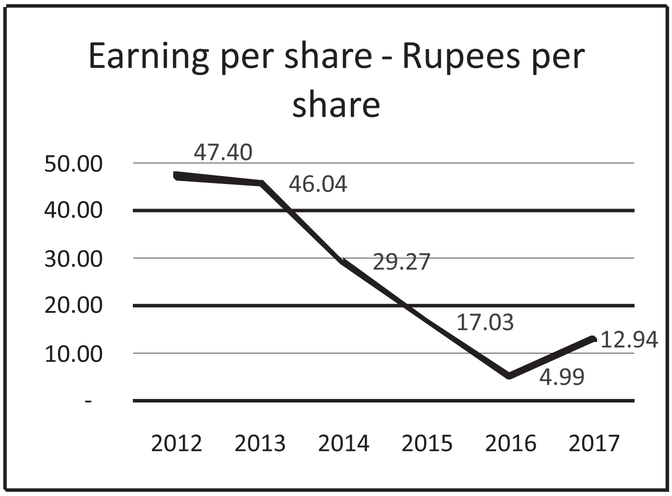
The Company incurred Capital Expenditure of Rupees 1,940 million during the year. Bulk of this amount was used for BMR of Spinning Units and Captive Gas Fired Power Plants of the Company.

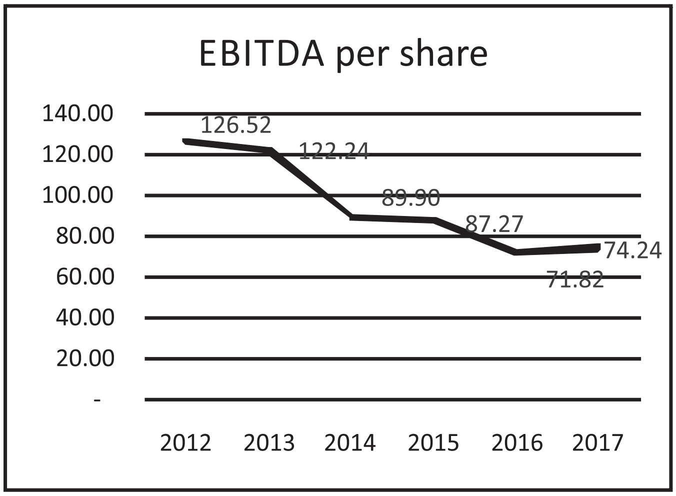




Earnings per Share (EPS)

EPS of the Company increased to Rupees 12.94 per share during the year compared to Rupees 4.99 per share last year. The earnings per share for last 3 years have been depressed due to tough conditions which the textile industry in Pakistan is facing.

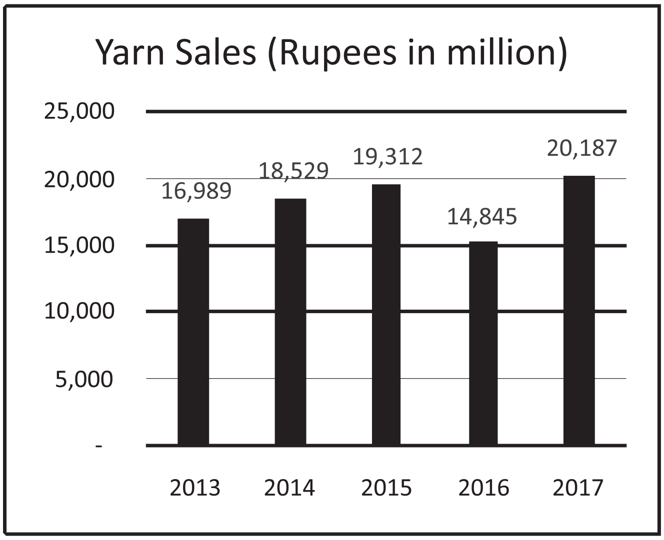


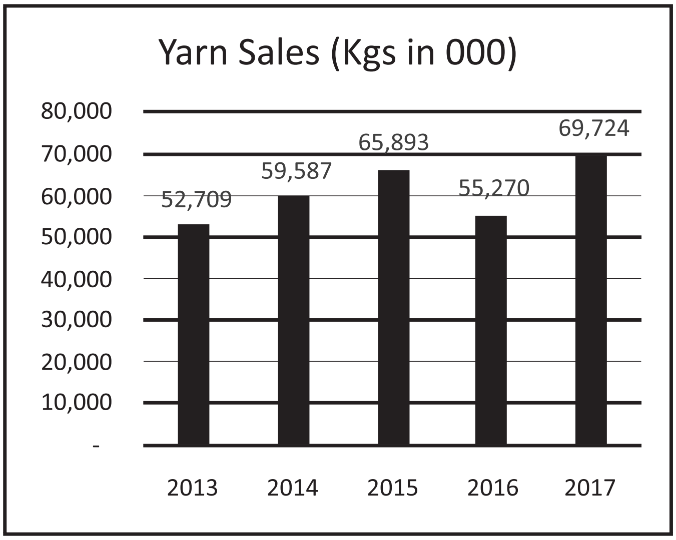


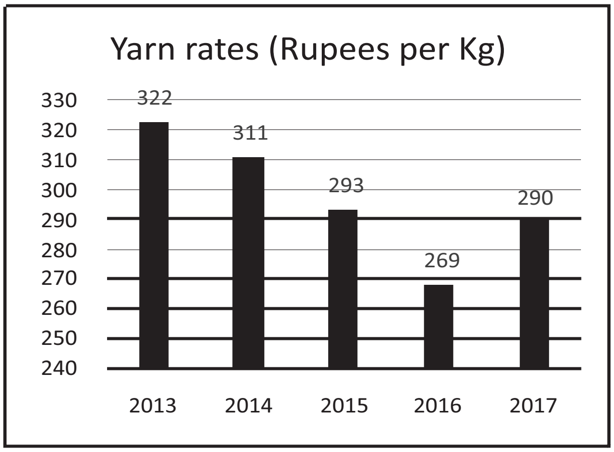
SEGMENT ANALYSIS

Spinning

Financial year 2016-17 was a tough year for spinning industry in Pakistan. The country produced 10.86 million bales of cotton which is lower than the approximately 14.5 million bales of consumption. The shortage was met by imports and resulted in higher cotton prices in the country compared to other cotton producing countries in the world. Although duty drawback @ 4 % for yarn and greige fabric was allowed by the Government of Pakistan to boost exports of textiles, but due to late announcement of this package, the benefit thereof was available for half of the year only. Production costs in Bangladesh and India are comparatively lower due to lower energy costs, lower wages and subsidized interest rates. Yarn prices and margins remained low throughout the financial year ended 30 June 2017 and resultantly, target profitability in spinning could not be achieved.

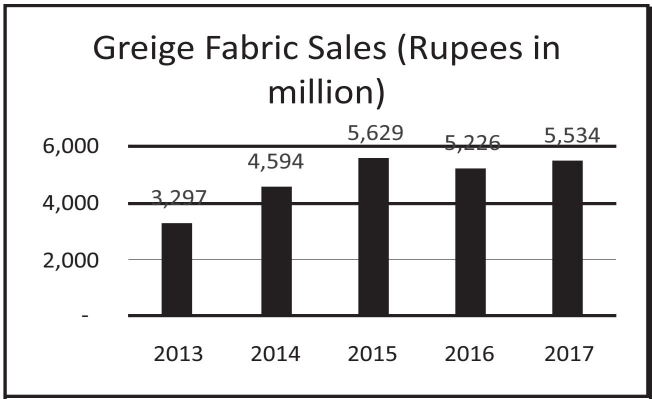


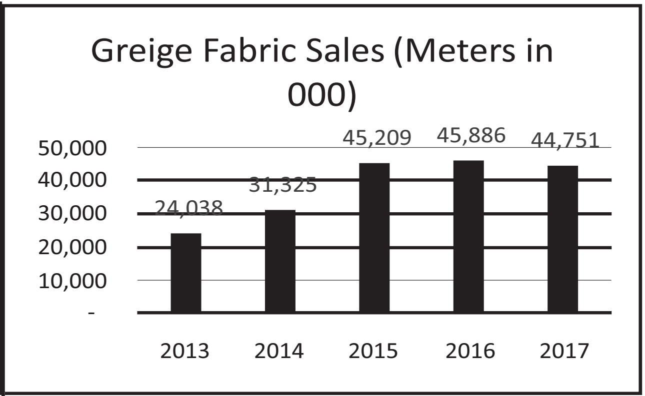


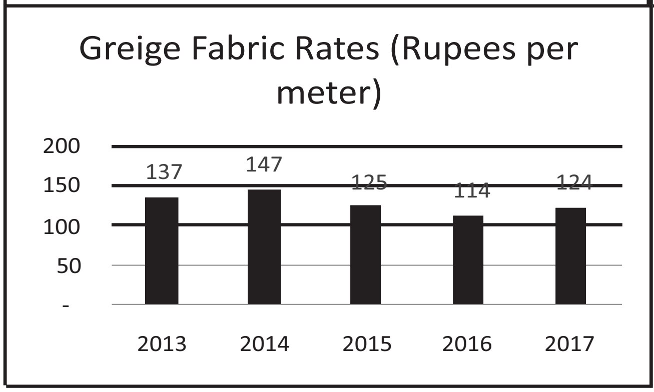


Weaving

Although increase in prices in greige fabric per meter were recorded but margins remained under pressure. Demand for fabric remained lackluster throughout the year and there was tough competition in local as well as foreign markets.







FUTURE OUTLOOK

Increase in cotton production to 13 million bales is expected during the 2017-18 season. Prices for raw cotton are Rupees 6200/maund which is competitive compared to prevailing international cotton prices. Duty drawback of 4% on yarn and fabric is also expected to be continue during the year. Gas supply to the Company is available round the clock and SNGPL has started billing on a weighted average price of natural gas and RLNG resulting in lower costs per MMBTU. Several BMR projects of spinning and captive gas fired units of the Company will complete during the year resulting in lower costs of production. Due to these factors, your management is hopeful of achieving a better financial

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

Description	Sh. Naseem Ahmad &Mst. Nishat Naseem	Amir Naseem Sh,Mrs. Mahnaz Amir Sh. & Minor Children	Rehman Naseem & Minor Children	Fazal Ahmad Sheikh & Minor Children	Fahd Mukhtar	Faisal Ahmed & Minor Children	Company Secretary	CFO
Balance as on 01-07-2016	8,820	2,930,552	3,101,320	2,045,195	44,702	2,043,448	-	970
Purchase	-	-	-	-	-	-	-	-
Bonus	-	-	-	-	-	-	-	-
Inherited	-	-	-	2,022,355	535,013	2,024,102	-	-
Received as Gift	-	-	-	-	-	-	-	-
Transferred as gift	-	-	-	-	-	-	-	-
Sold	-	-	-	-	-	-	-	-
Closing Balance as on 30-06-2017	**8,820**	**2,930,552**	**3,101,320**	**4,067,550**	**579,715**	**4,067,550**	**-**	**970**

During the year 2016 - 2017, four board meetings were held which were attended as follows:

Names of Directors	Designation	BOD Meeting	HR&R Meeting	Audit Committee Meeting
Sheikh Naseem Ahmad	Chief Executive Officer	4 / 4	-	-
Rehman Naseem	Chairman	4 / 4	4 / 4	4 / 4
Fazal Ahmed Sheikh	Director	4 / 4	-	-
Faisal Ahmed	Director	3 / 4	3 / 4	-
Fahd Mukhtar	Director	2 / 4	-	1 / 4
Mr. Amir Naseem Sheikh	Director	1 / 3	1 / 3	-
Jamal Nasim	Independent Director	3 / 4	-	3 / 4
Mrs. Mahnaz Amir Sheikh	Director	1 / 4	1 / 1	-
Mr. Babar Ali	Newly elected independent Director wef May 30th, 2017)			

SAFETY, HEALTH & ENVIRONMENT

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

RISK MANAGEMENT

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

CORPORATE GOVERNANCE:

As required by the code of corporate governance the board of directors hereby declares that:

- The financial statements for the year ended June 30, 2017, present fairly the state of affairs, the result of its operations, cash flows and changes in equity;

- Proper books of account have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2017 and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is no doubt about the Company to continue as going concern;
- There has been no material departure from best practices of corporate governance as detailed in listing regulations;

Contribution to National Exchequer and Economy

As an export based entity, The Company has earned precious foreign exchange of USD 78.648 million during the current year. In addition to that, the Company contributed Rupees 708.86 million towards national exchequer by way of income taxes, sales tax, custom duties, export development surcharge, cotton cess, social security and EOBI contribution. The Company is also acting as withholding agent for FBR. As a withholding agent, the Company collected and deposited income taxes amounting to Rupees 320.32 million.

PATTERN OF SHAREHOLDING:

The pattern of shareholding as on June 30, 2017 is annexed.

DIVIDEND ANNOUNCEMENT

Your Directors have proposed to distribute @ 52.5 % cash dividend (2016: 25% cash dividend).

SUBSIDIARY COMPANY

The Company has also annexed its consolidated financial statements along with separate financial statements in accordance with the requirements of International Financial Reporting Standards and Companies Ordinance, 1984.
Following is a brief description of subsidiary company of Fazal Cloth Mills Limited:

The Company owns 100.00% shares of it's subsidiary Fazal Weaving Mills Limited. FWML was incorporated in Pakistan in 1989 as a Public Limited company under the Companies Ordinance, 1984 and commenced its commercial production on April 01, 2014. The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is engaged in the manufacture and sale of yarn. The manufacturing facility of the Company is located at MauzaKhairabadQadirPurRawanBy Pass, Khanewal Road, Multan in the province of Punjab.

AUDITORS:

M/s. KPMG TaseerHadi& Co., Chartered Accountants, auditors of the Company retires and being eligible offers themselves for reappointment for the year 2017-2018.

MANAGEMENT/LABOUR RELATIONS:

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

For and on behalf of the Board

Dated: October 5, 2017

____-S_d/_-___
(Rehman Naseem)
Chairman / Director

ڈائریکٹرز رپورٹ

فضل کلاتھ ملز لمیٹڈ (کمپنی) کے ڈائریکٹرز کمپنی کی سالانہ رپورٹ برائے سال 30 جون 2017 پیش کر رہے ہیں۔

کمپنی کا مالیاتی جائزہ

کمپنی کی مالیاتی کارکردگی رواں سال سخت مقابلے اور زیادہ پیداواری لاگت کے باوجود بہترین رہی رواں سال منافع بعد از ٹیکس 388.29 ملین روپے رہا جو کہ پچھلے مالی سال میں 149.50 ملین روپے تھا لہٰذا اضافہ 159.61 فی صد رہا۔ منافع کی ایک وجہ جنوری 2017 سے برآمدات پر حکومت پاکستان کی طرف سے ڈیوٹی کی واپسی بھی تھی۔

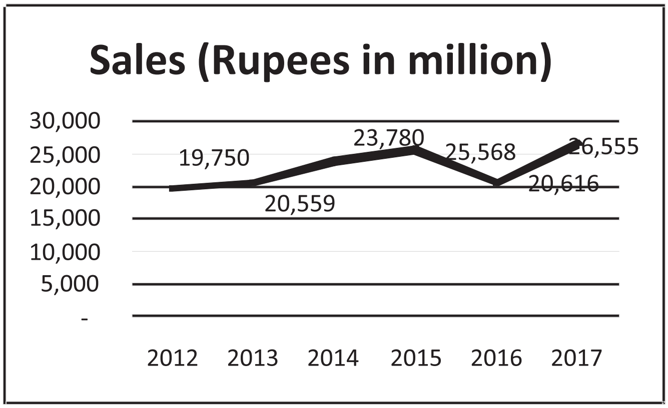
نمایاں مالیاتی اعداد درج ذیل ہیں۔

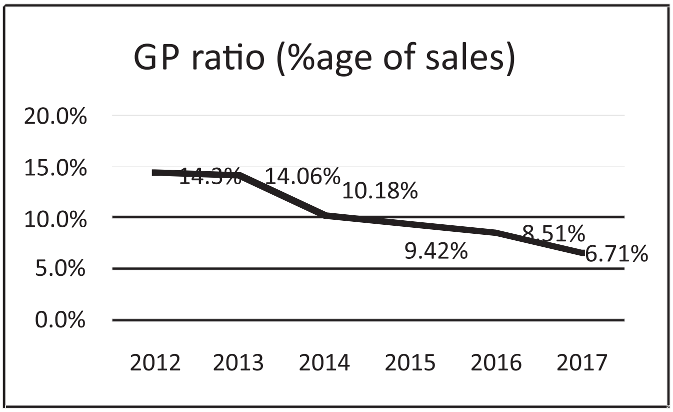
	2017 Rs. (000)	2016 Rs.(000)	اضافہ / کمی فی صد
فروختگی	26,554,951	20,615,979	28.81%
فروختگی کی لاگت	24,772,649	18,861,646	31.34%
گراس منافع	1,782,302	1,754,333	1.59%
فرسودگی اور مالیاتی اخراجات سے پہلے کا منافع	2,227,290	2,154,725	3.37%
فرسودگی	757,093	781,369	(3.11%)
مالیاتی خرچہ	878,789	917,294	(4.20%)
دوسری آمدن	416,675	326,753	27.52%
منافع قبل از ٹیکس	591,408	456,062	29.68%
منافع بعد از ٹیکس	388,287	149,564	159.61%

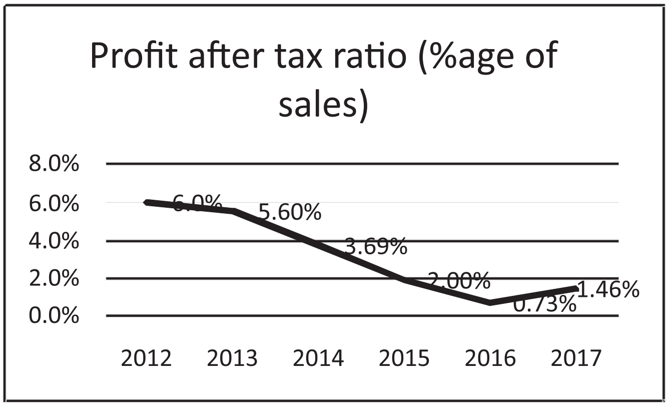
رواں سال کمپنی کی فروختگی میں 5,938 ملین روپے اضافہ ہوا جو پچھلے سال کی نسبت 28.81 فی صد ہے۔ اضافہ کی بنیادی وجہ قیمتوں اور فروختگی کی مقدار میں اضافہ ہے رواں سال فروختگی پچھلے پانچ سالوں میں بلند ترین سطح پر رہی۔ رواں سال فروختگی کی لاگت میں 5,911 ملین روپے اضافہ ہوا جو پچھلے سال کی نسبت 31.34 فی صد رہا۔ اس کی بنیادی وجہ خام مال کی قیمت میں اضافہ اور بجلی کی فی یونٹ لاگت میں اضافہ تھا۔ نتیجۃً گراس منافع میں 6.7 فی صد کمی رہی جبکہ پچھلے سال یہ کمی 8.51 فی صد تھی۔

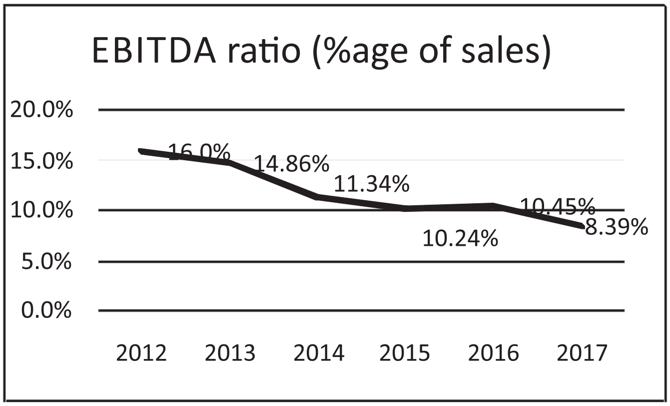
رواں سال کمپنی کو ڈیوڈنڈ پر آمدن 226 ملین روپے رہی جو کہ پچھلے سال 192 ملین روپے تھی۔ رواں سال فرسودگی اور مالیاتی اخراجات سے پہلے کا منافع 2,227 ملین روپے رہا جو پچھلے سال 2,155 ملین روپے تھا۔ فی حصص منافع 74.24 روپے رہا جو کہ 2016 میں 71.82 روپے تھا۔ رواں سال کمپنی کی مالیاتی لاگت میں 4.2 فی صد کمی رہی جس کی بنیادی وجہ پیسہ کے بہاؤ میں بہتری ہے۔ پیسہ کے بہاؤ میں تیزی کی وجہ:-

(i) منافع کا ہونا (ii) قرضہ کی قیمت میں کمی (iii) بہتر مالی انتظامی ہے



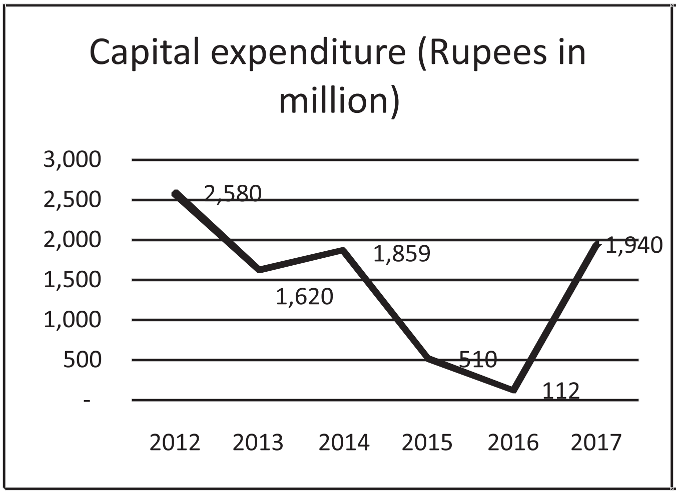


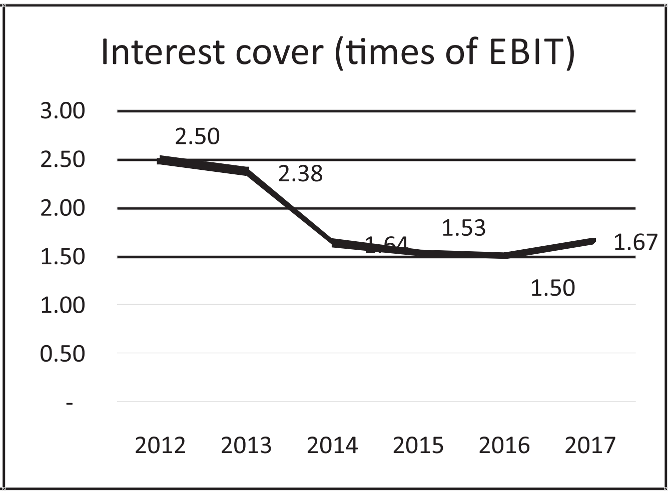




کیپیٹل اخراجات

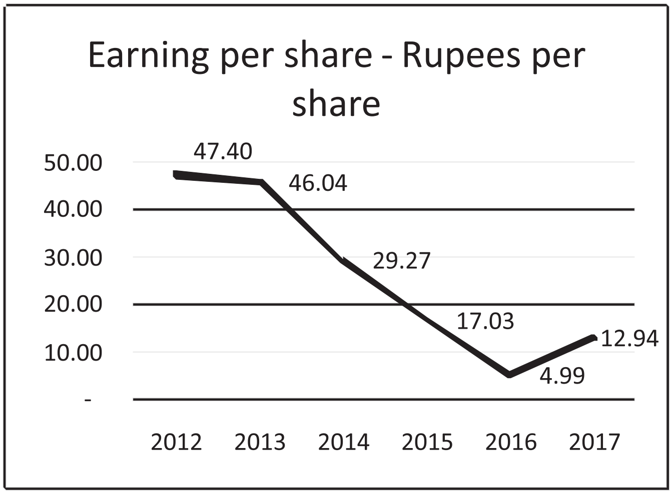
رواں سال کمپنی نے 1,940 ملین روپے کیپیٹل اخراجات کی مد میں خرچ کیے۔ان اخراجات کا زیادہ تر دھاگہ کی پیداوار کی مشین کی بہتری اور گیس پاور پلانٹ پر خرچ ہوا۔

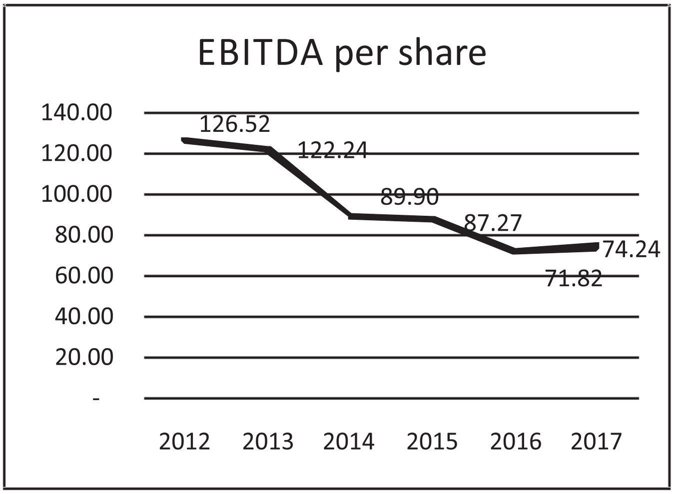




فی حصص آمدن

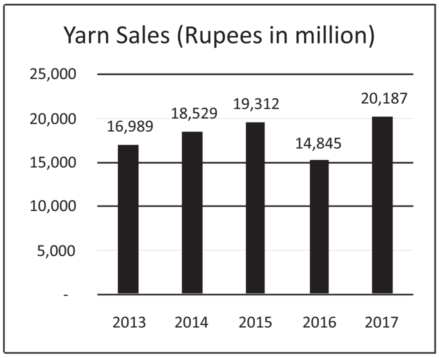
رواں سال فی حصص آمدن میں اضافہ 12.49 روپے تک رہا۔ پچھلے تین سالوں میں فی حصص آمدن میں کمی کی وجہ ٹیکسٹائل سیکٹر کو درپیش مشکلات تھیں۔

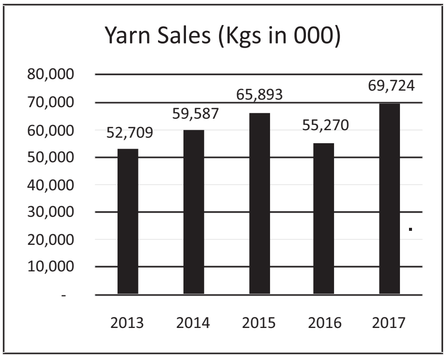


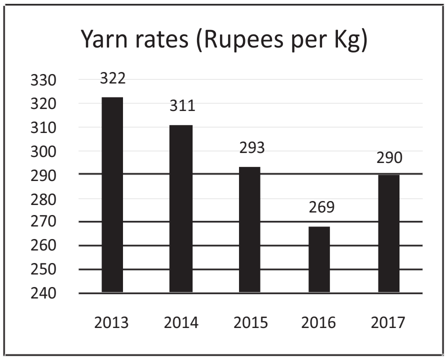


سیگمنٹ وائز تجزیہ

سپننگ (دھاگہ کی پیداوار) دھاگہ کی پیداوار کی صنعت نے مالی سال 2016-17 میں مشکل حالات کا سامنا کیا۔ ملک میں کاٹن کی گانٹھ کی پیداوار 10.86 ملین رہی جبکہ استعمال 14.5 ملین گانٹھ کا رہا۔ اس کمی کو درآمد کے ذریعے پورا کیا گیا جس کی وجہ سے ملک میں کاٹن کی قیمت بڑھی۔ گورنمنٹ کی طرف سے دھاگہ اور کپڑے کی برآمد پر 4 فیصد ڈیوٹی کی واپسی کا اعلان کیا گیا جو دیر سے ہوا اور اس کا فائدہ آدھے سال ہی سکا۔ بنگلہ دیش اور بھارت میں پیداواری لاگت کم اجرت اور مالی خرچے پر سبسڈی کی وجہ سے کم ہے۔ دھاگہ کی قیمت مالی سال 2016-17 میں کم رہی جس کی وجہ سے منافع کا ہدف مکمل طور پر حاصل نہ ہو سکا۔

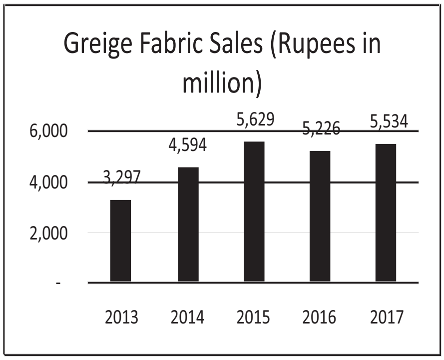


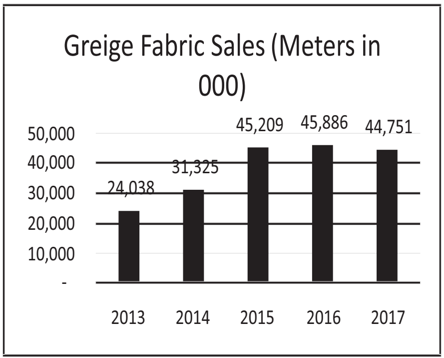


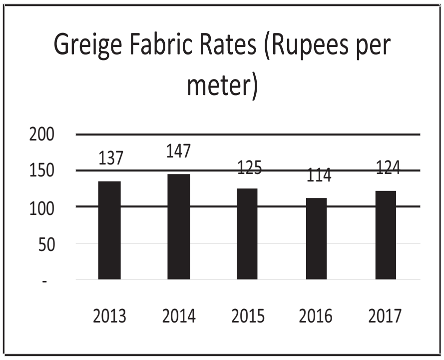


ویونگ (کپڑے کی پیداوار)

اگرچہ کپڑے کی قیمت میں اضافہ رہا تاہم زیادہ لاگت کی وجہ سے منافع کم رہا۔ کپڑے کی طلب بھی مایوس کن رہی اور کپڑے کی مارکیٹ میں مقابلہ کا رجحان بھی بڑھا۔







مستقبل کے نقطہ نظر سے ٹیکسٹائل کا کاروبار

مالی سال 18-2017 میں کاٹن کی 13 ملین گانٹھ کی پیداوار متوقع ہے۔خام کپاس کی قیمت 6,200 روپے فی مانڈ ہے جو عالمی مارکیٹ میں کاٹن کی قیمت کے برابر ہے۔گورنمنٹ کی طرف سے کپڑے اور دھاگہ کی برآمد پر ڈیوٹی کی واپسی متوقع طور پر اس سال بھی جاری رہے گی۔کمپنی کو گیس کی سپلائی تواتر سے جاری ہے اور SNGPL نے سوئی گیس کی اوسط قیمت پر بل کرنا شروع کر دیا ہے۔دھاگہ کی پیداوار کے کئی یونٹس اس سال اپ گریڈ ہو جائیں گے جس کی وجہ سے پیداواری لاگت کم ہو جائے گی۔ مندرجہ بالا وجوہات کی بنا پر انتظامیہ مستقبل میں بہتر مالیاتی کارکردگی کے لیے پُر امید ہے۔

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

تفصیلات	شیخ نسیم احمد اور مسز نگہت نسیم	مسز مہناز عامر شیخ، عامر نسیم شیخ اور بچے	رحمان نسیم اور بچے	فضل احمد شیخ اور بچے	فہد مختار	فیصل احمد اور بچے	کمپنی سیکرٹری	چیف فنانشل آفیسر
تعداد 01.07.2016	8,820	2,930,552	3,101,320	2,045,195	44,702	2,043,448	-	970
خرید	-	-	-	-	-	-	-	-
بونس	-	-	-	-	-	-	-	-
وراثت	-	-	-	2,022,355	535,013	2,024,102	-	-
گفٹ کے طور پر ملے	-	-	-	-	-	-	-	-
گفٹ کے طور پر منتقل کیے	-		-	-	-	-	-	-
فروخت کیے	-		-	-	-	-	-	-
تعداد 30.06.2017	8,820	2,930,552	3,101,320	4,067,550	579,715	4,067,550	-	970

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

نام	عہدہ	بورڈ میٹنگ	ایچ آر اور آر کمیٹی	آڈٹ کمیٹی
شیخ نسیم احمد	چیف ایگزیکٹو آفیسر	4/4	-	-
رحمان نسیم	چیئر مین	4/4	4/4	4/4
فضل احمد شیخ	ڈائریکٹر	4/4	-	-
فیصل احمد	ڈائریکٹر	3/4	3/4	-
فہد مختار	ڈائریکٹر	2/4	-	1/4
عامر نسیم شیخ	ڈائریکٹر	1/3	1/3	-
جمال نسیم	ڈائریکٹر	3/4	-	3/4
مسز منہاز عامر شیخ	ڈائریکٹر	1/4	1/1	-

بابر علی 30 مئی 2017 سے نئے ڈائریکٹر منتخب ہوئے

کارپوریٹ گورننس

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

- کمپنی کی انتظامیہ کی طرف سے تیار شدہ مالیاتی سٹیٹمنٹس، معاملات کی حالت، آپریشن کے نتائج، کیش فلو اور ایکوٹی کے متعلق صحیح طور پر بتاتی ہیں۔
- کمپنی کے اکاؤنٹس کو مناسب طریقے میں کیا گیا ہے۔
- مالیاتی سٹیٹمنٹس کی تیاری تسلسل کے ساتھ متعلقہ اکاؤنٹنگ پالیسی کے تحت ہے اور اکاؤنٹنگ حسابات، مناسب اور محتاط فیصلہ پر کیے گئے ہیں۔
- عالمی مالیاتی رپورٹنگ معیارات جو کہ پاکستان میں لاگو ہیں انہیں مالیاتی سٹیٹمنٹس کی تیاری میں اپنایا گیا ہے۔
- کمپنی کے اندرونی کنٹرول میں موثر طریقے سے عمل درآمد اور نگرانی کی گئی ہے۔
- بورڈ مطمئن ہے کہ کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے کام میں بہتری ہے اور کمپنی مزید کام کر سکتی ہے۔
- سٹاک ایکسچینج کے لسٹنگ ریگولیشن کے تحت کارپوریٹ گورننس کے احسن طریقوں کو اپنانے میں بڑا فرق نہیں ہے۔

ملکی معیشت اور قومی خزانے میں حصہ داری

برآمد کنندگان کی حیثیت میں کمی نے رواں سال میں 78.64 ملین ڈالر زرمبادلہ کمایا۔ علاوہ ازیں کمپنی نے قومی خزانے میں 708.8 ملین روپے انکم / سیلز ٹیکس، کسٹم ڈیوٹی، سرچارج، کاٹن سس شوشل سیکیورٹی اور ای او بی آئی کی مد میں دیئے۔ FBR میں کمپنی ود ہولڈنگ ایجنٹ کا کردار ادا کر رہی ہے اور اس کردار کے تحت کمپنی نے 320.3 ملین روپے انکم ٹیکس میں جمع اور اکٹھے کیے۔

صحت مند اور پُر تحفظ ماحول

کمپنی کام کرنے کی جگہ پر موجود ہر انسان کو صحت مند اور پُر تحفظ ماحول فراہم کرنے میں پُر عزم ہے۔

رسک (خطرہ) منیجمنٹ

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

کمپنی کی سماجی ذمہ داری

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

شئیر ہولڈنگ پیٹرن

عمومی شئیر ہولڈنگ پیٹرن برائے سال 30 جون 2017 کوڈ آف کارپوریٹ گورننس کے مطابق منسلک کیا گیا ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے منافع منقسمہ برائے سال 30 جون 2017 کیلئے 5.25 روپے فی شئیر تجویز کیا ہے۔

Subsidiary کمپنی اور یکی مالیاتی سٹیٹمنٹ

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

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

آڈیٹرز کی تعیناتی

میسرز KPMG Taseer Hadi & Co، چارٹرڈ اکاؤنٹنٹس فرم نے کمپنی کے ساتھ اپنی تقرری کی مدت مکمّل کی ہے اور اہل ہونے کے ساتھ اپنی خدمات کو اگلی مدت 18-2017 کے لیے پیش کیا ہے۔

انتظامیہ اور لیبر کے تعلقات

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

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

بورڈ کی طرف سے

رحمان نسیم

(چیئرمین/ڈائریکٹر)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE [SEE CLAUSE 5.19.24]

This statement is being presented to comply with the Code of Corporate Governance contained in Clause 5.19.24 of the Rule Book of the 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 non-executive directors and directors representing minority interests on its Board of Directors. The Board was appointed on May 30, 2017 through election held in Extra Ordinary General Meeting for the term of next three years. At present, the Board includes:

   Independent Director

Mr. Baber Ali	Director

   Executive Directors

Sh. Naseem Ahmad	CEO / Director
Mr. Fazal Ahmad Sheikh	Director

   Non-Executive

Mr. Rehman Naseem	Chairman/Director
Mr. Faisal Ahmad	Director
Mr. Amir Naseem Sheikh	Director
Mr. Fahd Mukhtar	Director

   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 a director on 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 DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the board on October 10, 2016 was filled up by the directors within 90 days.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the Board of Directors were presided over by the Chairman 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 at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Four members of the board of the directors are exempt from obtaining certification under Directors' Training Program as per criteria i-e 14 years of education and 15 years of experience on the board of a listed company.

10. The Board has approved [Nil] appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

13. 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.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed three members Audit Committee comprising of Non-Executive directors. The Chairman of the Committee is an Independent Director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed a three member Human Resource and Remuneration Committee comprising of Non-Executive directors.

18. The Board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

21. The “closed period”, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors

Multan:
Dated: October 05, 2017

(REHMAN NASEEM)
Chairman

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Fazal Cloth Mills Limited** ("the Company") for the year ended 30 June 2017 to comply with the requirements of clause 5.19 of the Rule Book of Pakistan Stock Exchange, where the Company is listed.

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

As 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 of 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 30June 2017.

Lahore
Date: October 05, 2017

KPMG TaseerHadi& Co
Chartered Accountant
(Kamran IqbalYousafi)

Fazal Cloth Mills Limited

Financial Statements

for the year ended 30 June 2017

Auditors' Report to the Members

We have audited the annexed balance sheet of **Fazal Cloth 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 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 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 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 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

Sd/-

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Lahore

Date: October 05, 2017

Balance Sheet

	Note	**2017 Rupees**	2016 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**17,964,030,369**	16,789,493,325
Long term advances and investments	*5*	**4,165,944,439**	3,854,006,152
Loan to Subsidiary Company	*6*	**530,000,000**	530,000,000
Long term deposits		**24,446,493**	24,446,493
		22,684,421,301	21,197,945,970
Current assets			
Stores, spares and loose tools	*7*	**585,091,281**	424,638,107
Stock-in-trade	*8*	**6,420,465,744**	5,112,752,436
Trade debts	*9*	**4,243,040,569**	1,901,378,277
Loans and advances	*10*	**750,169,337**	1,433,588,257
Trade deposits and short term prepayments	*11*	**6,682,417**	1,628,075
Mark-up accrued	*12*	**46,240,903**	59,935,983
Other receivables and deposits	*13*	**250,066,647**	81,096,577
Short term investments	*14*	**219,658,800**	221,288,800
Tax refunds due from the Government		**878,370,161**	502,413,719
Cash and bank balances	*15*	**116,327,278**	85,453,947
		13,516,113,137	9,824,174,178
		36,200,534,438	31,022,120,148

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/-	**Sd/-**
(SHEIKH NASEEM AHMAD)	**(REHMAN NASEEM)**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**

As at June 30, 2017

	Note	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital		**700,000,000**	700,000,000
Issued, subscribed and paid-up capital	*16*	**300,000,000**	300,000,000
Capital reserves	*17*	**1,606,703,247**	1,622,451,755
Unappropriated profits		**7,296,152,237**	6,782,748,947
		9,202,855,484	8,705,200,702
Surplus on revaluation of fixed assets - *net of tax*	*18*	**6,306,367,002**	6,511,467,057
Non-current liabilities			
Long term financing - *secured*	*19*	**6,068,698,886**	4,436,247,908
Long term musharika - *secured*	*20*	**878,750,000**	1,221,250,000
Deferred liabilities:			
- *Staff gratuity*	*21*	**204,404,551**	209,641,455
- *Deferred taxation*	*21*	**2,175,617,785**	2,069,560,362
		9,327,471,222	7,936,699,725
Current liabilities			
Trade and other payables	*22*	**1,848,977,304**	1,943,629,965
Accrued mark-up	*23*	**249,256,533**	247,808,813
Short term borrowings - *secured*	*24*	**7,516,146,659**	3,885,590,245
Current portion of non-current liabilities	*25*	**1,749,460,234**	1,791,723,641
		11,363,840,730	7,868,752,664
Contingencies and commitments	*26*		
		36,200,534,438	31,022,120,148

Sd/-
(FAIZAN-UL-HAQ)
CHIEF FINANCIAL OFFICER

Profit and Loss Account

For the year ended June 30, 2017

	Note	**2017 Rupees**	2016 Rupees
Sales - *net*	*27*	**26,554,951,059**	20,615,979,078
Cost of sales	*28*	**(24,772,648,614)**	(18,861,646,409)
Gross profit		**1,782,302,445**	1,754,332,669
Selling and distribution expenses	*29*	**(426,687,537)**	(376,454,106)
Administrative expenses	*30*	**(264,682,814)**	(246,929,069)
Other expenses	*31*	**(37,409,798)**	(84,346,750)
		(728,780,149)	(707,729,925)
Other income	*32*	**416,675,272**	326,753,654
Profit from operations		**1,470,197,568**	1,373,356,398
Finance cost	*33*	**(878,789,523)**	(917,294,238)
Profit before taxation		**591,408,045**	456,062,160
Taxation	*34*	**(203,121,529)**	(306,497,950)
Profit after taxation		**388,286,516**	149,564,210
Earnings per share - *basic and diluted*	*35*	**12.94**	4.99

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
(SHEIKH NASEEM AHMAD)	**(REHMAN NASEEM)**	**(FAIZAN-UL-HAQ)**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

Statement of Comprehensive Income

For the year ended June 30, 2017

	2017 Rupees	2016 Rupees
Profit after taxation	**388,286,516**	149,564,210
Other comprehensive income - net of tax		
Items that will never be reclassified to profit and loss:		
Measurement of defined benefit liability	**(6,063,222)**	27,073,145
Related tax impact	**1,079,941**	(5,028,546)
	(4,983,281)	22,044,599
Items that are or may be reclassified subsequently to profit and loss:		
Net change in fair value of available for sale financial assets	**(15,748,508)**	(323,159,379)
Total comprehensive income / (loss) for the year	**367,554,727**	(151,550,570)

** Surplus on revaluation of fixed assets - net of tax is presented under separate head below equity in accordance with the requirements of section 235 of the repealed Companies Ordinance, 1984.*

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/-	**Sd/-**	**Sd/-**
(SHEIKH NASEEM AHMAD)	**(REHMAN NASEEM)**	**(FAIZAN-UL-HAQ)**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

Cash Flow Statement

For the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
Cash flows from operating activities			
Profit before taxation		**591,408,045**	456,062,160
Adjustments for:			
Depreciation of property, plant and equipment	*4.3*	**757,092,607**	781,368,932
Unrealized loss on re-measurement of investments		**1,630,000**	33,447,600
Provision for gratuity	*21.1.2*	**84,904,008**	100,390,702
Provision for infrastructure cess		**54,774,842**	30,759,320
Workers' Welfare Fund		**(124,867,986)**	9,508,563
Gain on disposal of property, plant and equipment	*32*	**(11,419,629)**	(2,022,527)
Gain on disposal of short term Investments	*32*	**-**	(83,233,325)
Dividend receivable written off	*31*	**-**	3,868,592
Dividend income	*32*	**(225,920,601)**	(191,556,417)
Finance cost	*33*	**878,789,523**	917,294,238
Cash generated from operations before working capital changes		**2,006,390,809**	2,055,887,838
Effect on cash flows due to working capital changes			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		**(160,453,174)**	(33,306,170)
Stock-in-trade		**(1,307,713,308)**	(666,718,888)
Trade debts		**(2,341,662,292)**	1,904,044,960
Loans and advances		**683,418,920**	(991,704,488)
Trade deposits and short term prepayments		**(5,054,342)**	5,757,394
Other receivables		**(168,970,070)**	49,060,310
		(3,300,434,266)	267,133,118
Increase in current liabilities:			
Trade and other payables		**(29,333,373)**	90,149,018
Cash (used in) / generated from operations		**(1,323,376,830)**	2,413,169,974
Gratuity paid to employees	*21.1.4*	**(96,204,134)**	(79,855,840)
Taxes paid		**(471,940,607)**	(155,113,399)
Finance cost paid - *net*		**(863,646,723)**	(927,425,029)
		(1,431,791,464)	(1,162,394,268)
Net cash (used in) / generated from operating activities		**(2,755,168,294)**	1,250,775,706
Cash flows from investing activities			
Capital expenditure incurred		**(1,939,571,179)**	(111,769,645)
Proceeds from sale of property, plant and equipment	*4.4*	**19,361,157**	8,919,452
Investment in associates		**(70,000)**	-
Advance against investment in associate		**(327,616,795)**	(70,000,000)
Proceeds from sale of investment		**-**	374,087,695
Long term deposits		**-**	(1,639,000)
Dividend received		**225,920,601**	191,556,417
Net cash (used in) / generated from investing activities		**(2,021,976,216)**	391,154,919
Cash flows from financing activities			
Long term financing obtained		**3,429,363,418**	534,908,972
Long term financing repaid		**(1,957,925,847)**	(1,426,388,539)
Long term musharika obtained		**-**	1,250,000,000
Long term musharika repaid		**(223,750,000)**	(80,000,000)
Short term borrowings - *net*		**3,630,556,414**	(1,856,067,661)
Cash dividend paid		**(70,226,144)**	(148,754,229)
Net cash generated from / (used in) financing activities		**4,808,017,841**	(1,726,301,457)
Net increase / (decrease) in cash and cash equivalents		**30,873,331**	(84,370,832)
Cash and cash equivalents at the beginning of the year		**85,453,947**	169,824,779
Cash and cash equivalents at the end of the year	*15*	**116,327,278**	85,453,947

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
(SHEIKH NASEEM AHMAD)	**(REHMAN NASEEM)**	**(FAIZAN-UL-HAQ)**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

Statement of Changes in Equity

For the year ended June 30, 2017

	Share capital	Capital reserves			Revenue reserve	
	Ordinary shares	Share premium	Capital redemption reserve	Fair value reserve-available for sale financial assets	Un-appropriated profits	Total
	----------- Rupees -----------					
Balance as at June 30, 2015	300,000,000	77,616,000	175,000,000	1,692,995,134	6,406,846,268	8,652,457,402
Total comprehensive income						
Profit for the year	-	-	-	-	149,564,210	149,564,210
Other comprehensive (loss) / income	-	-	-	(323,159,379)	22,044,599	(301,114,780)
	-	-	-	(323,159,379)	171,608,809	(151,550,570)
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax*	-	-	-	-	354,135,062	354,135,062
Transfer from surplus on revaluation of fixed assets on disposal - *net of tax*	-	-	-	-	158,808	158,808
Transactions with the owners of the Company:						
Cash dividend @ Rs. 5 per share for the year ended June 30, 2015	-	-	-	-	(150,000,000)	(150,000,000)
Balance as at June 30, 2016	**300,000,000**	**77,616,000**	**175,000,000**	**1,369,835,755**	**6,782,748,947**	**8,705,200,702**
Balance as at June 30, 2016	**300,000,000**	**77,616,000**	**175,000,000**	**1,369,835,755**	**6,782,748,947**	**8,705,200,702**
Total comprehensive income						
Profit for the year	-	-	-	-	388,286,516	388,286,516
Other comprehensive loss	-	-	-	(15,748,508)	(4,983,281)	(20,731,789)
	-	-	-	(15,748,508)	383,303,235	367,554,727
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax*	-	-	-	-	204,489,547	204,489,547
Transfer from surplus on revaluation of fixed assets on disposal - *net of tax*	-	-	-	-	610,508	610,508
Transactions with the owners of the Company:						
Cash dividend @ Rs. 2.5 per share for the year ended June 30, 2016	-	-	-	-	(75,000,000)	(75,000,000)
Balance as at June 30, 2017	**300,000,000**	**77,616,000**	**175,000,000**	**1,354,087,247**	**7,296,152,237**	**9,202,855,484**

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
(SHEIKH NASEEM AHMAD)	**(REHMAN NASEEM)**	**(FAIZAN-UL-HAQ)**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

Notes to the Financial Statements
For the year ended June 30, 2017

1 Reporting entity

Fazal Cloth Mills Limited ("the Company") was incorporated in Pakistan in 1966 as a Public Limited Company under the Companies Act, 1913 (now the Repealed Companies Ordinance, 1984). The shares of the Company are quoted on Pakistan Stock Exchange ("PSX"). The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of yarn and fabric. The manufacturing facilities are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

2 Basis of preparation

2.1 Separate financial statements

These financial statements are the separate financial statements of the Company in which investments in subsidiaries are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. Consolidated financial statements of the company are prepared separately.

The Company has following major investments:

Name of the company	Shareholding	Nature
Subsidiary		
- Fazal Weaving Mills Limited ("FWML")	100%	Spinning and Weaving
Associates		
- Fatima Energy Limited ("FEL")	24.24%	Energy Generation
- Fatima Transmission Company Limited ("FTCL")	24.00%	Transmission of Energy
- Fatima Electric Company Limited	20.00%	Energy Generation

2.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Repealed Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and Islamic Financial Reporting Standards ("IFAS") issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Repealed Companies Ordinance, 1984. Wherever, the requirements of the Repealed Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Repealed Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

The Companies Act, 2017 was enacted on May 30, 2017 and is applicable with immediate effect. The Securities and Exchange Commission of Pakistan through press release and vide circular no. 17 of 2017 dated July 20, 2017 has decided that all the companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017, shall prepare their financial statements, including interim financial statements, in accordance with the provisions of the Repealed Companies Ordinance, 1984. The new requirements of the Companies Act, 2017 shall be applicable to the companies having their financial year closure after June 30, 2017.

2.3 New Companies Act, 2017 and new and revised approved accounting standards, interpretations and amendments thereto:

2.3.1 The Companies Act, 2017 applicable for financial year ending after July 01, 2017 requires certain additional disclosures and Section 235 of the Repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with requirements of IAS 16 - Property, plant and equipment. The effect of the change is disclosed in note 18 to these financial statements.

2.3.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 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 an impact on Company's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements. Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after January 01, 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

  - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.

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

  - IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

  - IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

The above amendments are not likely to have any impact on these financial statements.

2.4 Basis of measurement

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

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

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

2.5 Functional and presentation currency

These financial statements are presented in Pak Rupees ("Rs."), which is the Company's functional and presentation currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

2.6 Use of estimates and judgments

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

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

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

Property, plant and equipment

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

Revaluation of property, plant and equipment

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

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

Intangible assets

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

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

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

Provision for doubtful debts, advances and other receivables

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

Recoverable amount of assets / cash generating units and impairment

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

Contingencies

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

Employee benefits

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The projected unit credit method used for the valuation of the scheme is based on assumptions stated in note 21.1.

Taxation

In making the estimates for income taxes currently payable by the Company, the management looks at the current Income Tax Laws and the decisions of Appellate Authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

3 Significant accounting policies

The significant accounting policies set out below have been consistently applied to all the years presented, unless otherwise stated.

3.1 Property, plant and equipment

Owned

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold-land, which is measured at revalued amount, factory building, non-factory building, plant and machinery, electric fittings and installations, sui gas installations, tools, laboratory equipment and arms and fire extinguishing equipment and scales which are measured at revalued amount less accumulated depreciation. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on Revaluation of fixed assets'. A decrease in the carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation account relating to a previous revaluation of that asset. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and other costs directly attributable to the acquisition or construction including expenditures on material, labour and overheads directly relating to construction, erection and installation of operating fixed assets.

Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Company, at the rates specified in note 4.1. Depreciation on additions is charged full in the month of the asset is available for use and nil in the month the asset is disposed of.

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

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

The asset's residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant. The Company's estimate of residual values of property, plant and equipment as at June 30, 2017 has not required any adjustment as its impact is considered insignificant.

Capital work-in-progress

Capital work in progress is stated at cost less identified impairment loss, if any. Cost includes the expenditures on material, labour, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets as stated in note 3.6. These costs are transferred to operating fixed assets as and when assets are available for their intended use.

3.2 Surplus / (deficit) arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is recognized on balance sheet after reversing deficit relating to the same item previously recognized in profit and loss, if any. Deficit arising on revaluation is recognized in profit and loss after reversing the surplus relating to the same item previously recognized on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profits every year.

Surplus on revaluation is booked by restating gross carrying amounts of respective assets being revalued, proportionately to the change in their carrying amounts due to revaluation. The accumulated depreciation at the date of revaluation is also adjusted to equal difference between gross carrying amounts and the carrying amounts of the assets after taking into account accumulated impairment losses.

Further the surplus on revaluation of property, plant and equipment shall be utilized in accordance with the provisions of section 235 of the Repealed Companies Ordinance, 1984.

3.3 Lease

Operating lease

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

3.4 Intangible assets

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

3.5 Impairment

Financial assets

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

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

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

Non-financial assets

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

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

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

3.6 Borrowings cost

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

3.7 Taxation

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

Current

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

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

Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, the Company recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

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

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

3.8 Foreign currency

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary items that are based on historical cost in a foreign currency are not translated. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Foreign currency differences are recognised in profit and loss account currently.

3.9 Staff retirement benefits

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The projected unit credit method used for the valuation of the scheme is based on assumptions stated in note 21.1.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount. The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

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

3.10 Provisions

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

3.11 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.12 Financial instruments

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

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

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

3.13 Settlement date accounting

All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by the Company. Regular way purchases or sales of financial assets are those contracts which requires delivery of assets within the time frame generally established by regulation or convention in the market.

3.14 Financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company classifies financial liabilities recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Creditors relating to trade and other payables are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Financial liabilities comprise long term finances and deposits, trade and other payables, accrued mark-up, short term borrowings and provision for taxation.

3.15 Investments

3.15.1 Available-for-sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available-for-sale. After initial recognition, these are stated at fair values (except for unquoted investments where active market does not exist) with any resulting gains and losses which are charged to other comprehensive income, until the investment is disposed or impaired. At the time of disposal, the respective surplus or deficit is transferred to income. Fair value of quoted investments is their bid price at the balance sheet date.

Unquoted investments, where active market does not exist, are carried at cost and tested for impairment at each year end. Impairment loss, if any, is charged to profit and loss account.

3.15.2 Investments in subsidiaries

Investment in subsidiary company is measured at cost in the Company's separate financial statements, as per the requirements of IAS-27 "Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense. Where impairment losses if any, subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in profit and loss account.

3.15.3 Investments in associates

Associates are all entities over which the Company has significant influence but no control. Investment in associates are classified as available-for-sale, for the purpose of measurement in the Company's separate financial statements.

Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value, unless fair value cannot be reliably measured. Unrealized gains and losses arising from the changes in the fair value are directly recognized in equity in the period in which they arise. Cumulative gains and losses arising from changes in fair value are included in net profit or loss for the period in which an investment is derecognized.

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

3.15.4 Investments at fair value through profit or loss

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

3.16 Stores, spares and loose tools

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

3.17 Stock-in-trade

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

Cost has been determined as follows:

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

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

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

3.18 Revenue recognition

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

– Sales are recorded when significant risks and rewards of ownership of the goods are transferred to the customers.

– Dividend income is accounted for when the right to receive is established.

– Interest income is recognized using effective interest method.

3.19 Loan and receivables

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

Long term advances and deposits

At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition these are measured at amortised cost using the effective interest rate method less impairment loss, if any. A provision for impairment of long term loan is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of advance.

Trade debts

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

3.20 Cash and cash equivalents

For the purpose of cash flow, cash and cash equivalents mainly comprise cash and bank balances which are stated in the balance sheet at cost.

3.21 Off setting of financial instruments

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

3.22 Operating segment

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

3.22 Earnings per share

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

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

3.23 Dividend distribution

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

3.24 Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Company. Operating profit excludes other income, other expenses, finance costs and income taxes.

	Note	2017	2016
		Rupees	Rupees
4 Property, plant and equipment			
Operating fixed assets	*4.1*	**17,553,135,722**	16,563,486,879
Capital work-in-progress *-at cost*	*4.2*	**410,894,647**	226,006,446
		17,964,030,369	16,789,493,325

4.1 Operating fixed assets

	Cost / revalued amount						Depreciation					Net book value
	As at July 01, 2016	Revaluation surplus	Additions / Transfers	Disposals	As at June 30, 2017	Rate %	As at July 01, 2016	Revaluation surplus	For the year	Disposals	As at June 30, 2017	as at June 30, 2017
	Rupees						Rupees					
Freehold land												
- cost	453,863,504	-	353,212	-	454,216,716		-	-	-	-	-	454,216,716
- surplus on revaluation	1,536,028,392	-	-	-	1,536,028,392	-	-	-	-	-	-	1,536,028,392
	1,989,891,896	-	353,212	-	1,990,245,108		-	-	-	-	-	1,990,245,108
Factory building												
- cost	1,316,037,089	-	734,330	-	1,316,771,419		389,068,529	-	46,136,010	-	435,204,539	881,566,880
- surplus on revaluation	2,379,912,150	-	-	-	2,379,912,150	5	843,407,477	-	76,825,234	-	920,232,711	1,459,679,439
	3,695,949,239	-	734,330	-	3,696,683,569		1,232,476,006	-	122,961,244	-	1,355,437,250	2,341,246,319
Non-factory building												
- cost	541,248,159	-	14,679,680	-	555,927,839		134,969,640	-	20,756,922	-	155,726,562	400,201,277
- surplus on revaluation	2,667,381,234	-	-	-	2,667,381,234	5	762,900,210	-	95,224,052	-	858,124,262	1,809,256,972
	3,208,629,393	-	14,679,680	-	3,223,309,073		897,869,850	-	115,980,974	-	1,013,850,824	2,209,458,249
Plant and machinery												
- cost	9,823,685,430	-	1,708,601,975	(13,914,830)	11,518,372,575		3,266,650,057	-	341,673,096	(8,722,681)	3,599,600,472	7,918,772,103
- surplus on revaluation	3,666,117,293	-	-	(1,275,469)	3,664,841,824	5	1,433,465,456	-	111,619,420	(532,656)	1,544,552,220	2,120,289,604
	13,489,802,723	-	1,708,601,975	(15,190,299)	15,183,214,399		4,700,115,513	-	453,292,516	(9,255,337)	5,144,152,692	10,039,061,707
Electric fittings and installations												
- cost	571,635,069	-	11,884,818	(442,792)	583,077,095		149,276,643	-	21,291,545	(112,565)	170,455,623	412,621,472
- surplus on revaluation	507,250,335	-	-	-	507,250,335	5	175,318,942	-	16,596,569	-	191,915,511	315,334,824
	1,078,885,404	-	11,884,818	(442,792)	1,090,327,430		324,595,585	-	37,888,114	(112,565)	362,371,134	727,956,296
Sui gas installations												
- cost	14,020,862	-	-	-	14,020,862		6,686,882	-	366,699	-	7,053,581	6,967,281
- surplus on revaluation	8,478,502	-	-	-	8,478,502	5	4,089,873	-	219,431	-	4,309,304	4,169,198
	22,499,364	-	-	-	22,499,364		10,776,755	-	586,130	-	11,362,885	11,136,479
Tools, laboratory equipment and arms												
- cost	52,788,730	-	2,600	-	52,791,330		26,605,471	-	1,309,173	-	27,914,644	24,876,686
- surplus on revaluation	170,989,158	-	-	-	170,989,158	5	89,968,205	-	4,046,047	-	94,014,252	76,974,906
	223,777,888	-	2,600	-	223,780,488		116,573,676	-	5,355,220	-	121,928,896	101,851,592
Fire extinguishing equipment and scales												
- cost	11,117,444	-	36,000	-	11,153,444		5,848,119	-	265,115	-	6,113,234	5,040,210
- surplus on revaluation	34,596,040	-	-	-	34,596,040	5	15,199,402	-	969,082	-	16,168,484	18,427,556
	45,713,484	-	36,000	-	45,749,484		21,047,521	-	1,234,197	-	22,281,718	23,467,766
Office equipments	42,004,763	-	2,835,748	(1,957,082)	42,883,429	10	17,844,845	-	2,479,385	(770,800)	19,553,430	23,329,999
Furniture and fittings	21,903,219	-	3,162,920	-	25,066,139	10	9,699,393	-	1,286,128	-	10,985,521	14,080,618
Vehicles	171,226,581	-	12,391,695	(2,026,020)	181,592,256	20	95,797,931	-	16,028,699	(1,535,963)	110,290,667	71,301,589
2017	23,990,283,954	-	1,754,682,978	(19,616,193)	25,725,350,739		7,426,797,075	-	757,092,607	(11,674,665)	8,172,215,017	17,553,135,722
Intangible assets	10,514,570	-	-	-	10,514,570	20	10,514,570		-	-	10,514,570	-
2017	10,514,570	-	-	-	10,514,570		10,514,570	-	-	-	10,514,570	17,553,135,722

Operating fixed assets

	Cost / revalued amount						Depreciation					Net book value
	As at July 01, 2015	Revaluation surplus	Additions	Disposals	As at June 30, 2016	Rate %	As at July 01, 2015	Revaluation surplus	For the year	Disposals	As at June 30, 2016	as at June 30, 2016
	Rupees						Rupees					
Freehold land												
- *cost*	445,088,885	-	8,774,619	-	453,863,504		-	-	-	-	-	453,863,504
- *surplus on revaluation*	1,536,028,392	-	-	-	1,536,028,392	-	-	-	-	-	-	1,536,028,392
	1,981,117,277	-	8,774,619	-	1,989,891,896		-	-	-	-	-	1,989,891,896
Factory building												
- *cost*	1,294,638,442	-	21,398,647	-	1,316,037,089		341,205,170	-	47,863,359	-	389,068,529	926,968,560
- *surplus on revaluation*	2,379,912,150	-	-	-	2,379,912,150	5	762,538,810	-	80,868,667	-	843,407,477	1,536,504,673
	3,674,550,592	-	21,398,647	-	3,695,949,239		1,103,743,980	-	128,732,026	-	1,232,476,006	2,463,473,233
Non-factory building												
- *cost*	524,840,040	-	16,408,119	-	541,248,159		114,236,825	-	20,732,815	-	134,969,640	406,278,519
- *surplus on revaluation*	2,667,381,234	-	-	-	2,667,381,234	5	662,664,367	-	100,235,843	-	762,900,210	1,904,481,024
	3,192,221,274	-	16,408,119	-	3,208,629,393		776,901,192	-	120,968,658	-	897,869,850	2,310,759,543
Plant and machinery												
- *cost*	9,785,426,926	-	40,604,872	(2,346,368)	9,823,685,430		2,924,081,073	-	343,943,368	(1,374,384)	3,266,650,057	6,557,035,373
- *surplus on revaluation*	3,666,323,161	-	-	(205,868)	3,666,117,293	5	1,315,789,678	-	117,686,613	(10,835)	1,433,465,456	2,232,651,837
	13,451,750,087	-	40,604,872	(2,552,236)	13,489,802,723		4,239,870,751	-	461,629,981	(1,385,219)	4,700,115,513	8,789,687,210
Electric fittings and installations												
- *cost*	566,517,220	-	5,117,849	-	571,635,069		127,253,469	-	22,023,174	-	149,276,643	422,358,426
- *surplus on revaluation*	507,250,335	-	-	-	507,250,335	5	157,848,868	-	17,470,074	-	175,318,942	331,931,393
	1,073,767,555	-	5,117,849	-	1,078,885,404		285,102,337	-	39,493,248	-	324,595,585	754,289,819
Sui gas installations												
- *cost*	14,020,862	-	-	-	14,020,862		6,300,883	-	385,999	-	6,686,882	7,333,980
- *surplus on revaluation*	8,478,502	-	-	-	8,478,502	5	3,858,892	-	230,981	-	4,089,873	4,388,629
	22,499,364	-	-	-	22,499,364		10,159,775	-	616,980	-	10,776,755	11,722,609
Tools, laboratory equipment and arms												
- *cost*	52,641,130	-	147,600	-	52,788,730		25,231,289	-	1,374,182	-	26,605,471	26,183,259
- *surplus on revaluation*	170,989,158	-	-	-	170,989,158	5	85,709,208	-	4,258,997	-	89,968,205	81,020,953
	223,630,288	-	147,600	-	223,777,888		110,940,497	-	5,633,179	-	116,573,676	107,204,212
Fire extinguishing equipment and scales												
- *cost*	10,979,444	-	138,000	-	11,117,444		5,574,155	-	273,964	-	5,848,119	5,269,325
- *surplus on revaluation*	34,596,040	-	-	-	34,596,040	5	14,179,315	-	1,020,087	-	15,199,402	19,396,638
	45,575,484	-	138,000	-	45,713,484		19,753,470	-	1,294,051	-	21,047,521	24,665,963
Office equipments	37,451,451	-	5,453,768	(900,456)	42,004,763	10	15,801,793	-	2,430,746	(387,694)	17,844,845	24,159,918
Furniture and fittings	21,138,030	-	765,189	-	21,903,219	10	8,389,801	-	1,309,592	-	9,699,393	12,203,826
Vehicles	178,452,291	-	6,701,880	(13,927,590)	171,226,581	20	85,247,904	-	19,260,471	(8,710,444)	95,797,931	75,428,650
2016	23,902,153,693	-	105,510,543	(17,380,282)	23,990,283,954		6,655,911,500	-	781,368,932	(10,483,357)	7,426,797,075	16,563,486,879
Intangible assets	10,514,570	-	-	-	10,514,570	20	10,514,570		-	-	10,514,570	-
2016	10,514,570	-	-	-	10,514,570		10,514,570	-	-	-	10,514,570	16,563,486,879

	Note	**2017 Rupees**	2016 Rupees
4.2 Capital work-in-progress - *cost*			
Opening balance		**226,006,446**	219,747,344
Additions during the year		**1,939,571,179**	92,939,639
Transfers during the year		**(1,754,682,978)**	(86,680,537)
Closing balance	*4.2.1*	**410,894,647**	226,006,446

4.2.1 Breakup of closing balance of capital work-in-progress:

Factory buildings			
Material and expenses		**153,371,459**	101,834,825
Advance payments		**105,967,251**	53,651,290
		259,338,710	155,486,115
Non-factory buildings			
Material and expenses		**114,675,777**	62,458,798
Plant and machinery			
Cost and expenses		**614,295**	6,646,724
Advance payments		**9,172,340**	-
Letters of credit		**23,158,945**	1,414,809
		32,945,580	8,061,533
Furniture and fixtures			
Cost and expenses		**1,752,419**	-
Advance payments		**797,161**	-
Office equipment			
Advance payments		**8,000**	-
Vehicles			
Advance payments		**1,377,000**	-
		410,894,647	226,006,446

4.3 Depreciation is allocated as under:

	Note	2017	2016
Cost of sales	*28*	**737,292,321**	758,361,729
Administrative expenses	*30*	**19,800,286**	23,007,203
		757,092,607	781,368,932

4.4 Assets were disposed of during the year

	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds / Insurance claim	Gain / (loss)	Mode of disposal	Particulars
	----------	----------	Rupees	----------	----------		
Plant and machinery							
Gas Genset	**15,190,299**	**9,255,338**	**5,934,961**	**16,617,000**	**10,682,039**	Insurance Claim	Adamjee Insurance Limited
Electric fittings and installation							
Cabinet A/C 4 Ton	103,448	19,158	84,290	81,250	(3,040)	Insurance Claim	Adamjee Insurance Limited
Cabinet A/C 4 Ton	100,431	10,791	89,640	81,250	(8,390)	Insurance Claim	Adamjee Insurance Limited
A/C Split Type 2 Ton	69,000	16,940	52,060	42,000	(10,060)	Insurance Claim	Adamjee Insurance Limited
Air conditioner 4 Ton	99,913	34,181	65,732	88,000	22,268	Insurance Claim	Adamjee Insurance Limited
Air conditioner 1.5 Ton	63,500	12,382	51,118	42,000	(9,118)	Insurance Claim	Adamjee Insurance Limited
	436,292	**93,452**	**342,840**	**334,500**	**(8,340)**		
Vehicles							
Daihatsu Core 9633	419,991	393,489	26,502	186,647	160,145	Negotiation	Mr. Manzoor Ahmed
Honda City MN-11-3754	1,529,029	1,067,662	461,367	740,000	278,633	Negotiation	Mr. Farooq Khan
Honda Motorcycle	77,000	74,812	2,188	40,000	37,812	Insurance Claim	Adamjee Insurance Limited
	2,026,020	**1,535,963**	**490,057**	**966,647**	**476,590**		
Office equipments							
Laptop HP Envy 15-124tx	87,600	21,877	65,723	56,900	(8,823)	Insurance Claim	Adamjee Insurance Limited
Hand Geometry System Attendance Machine	272,280	68,267	204,013	316,000	111,987	Insurance Claim	Adamjee Insurance Limited
Laptop Dell Inspiron N5010-2	110,000	48,758	61,242	71,500	10,258	Insurance Claim	Adamjee Insurance Limited
Ricoh Aficio-Mp-5000 Digital Photocopier	146,250	44,965	101,285	98,000	(3,285)	Insurance Claim	Adamjee Insurance Limited
Apple Laptop Macbook	131,200	5,412	125,788	94,875	(30,913)	Insurance Claim	Adamjee Insurance Limited
	747,330	**189,279**	**558,051**	**637,275**	**79,224**		
Assets having net book value of assets less than Rs. 50,000	**1,216,252**	**600,633**	**615,619**	**805,735**	**190,116**	Insurance Claim	Adamjee Insurance Limited
2017	**19,616,193**	**11,674,665**	**7,941,528**	**19,361,157**	**11,419,629**		
2016	17,380,282	10,483,357	6,896,925	8,919,452	2,022,527		

			2017	2016
5	**Long term advances and investments**		**Rupees**	Rupees
	Long term advances	*5.1*		
	Fatima Energy Limited		**304,882,685**	-
	Pakarab Energy Limited		**25,904,160**	-
	Fatima Transmission Company Limited		**11,761,200**	70,000,000
			342,548,045	70,000,000
	Long term investments			
	Subsidiary Company - at cost			
	Fazal Weaving Mills Limited - *unquoted* 25,000,000 (2016: 25,000,000) fully paid ordinary shares of Rs. 10 each. Equity held 100% (2016: 100%)	*5.2*	**250,000,000**	250,000,000
	Associated Companies (with significant influence) - at cost			
	Fatima Energy Limited - *unquoted* 137,421,349 (2016: 137,421,349) fully paid ordinary shares of Rs. 10 each. Equity held 24.24% (2016: 24.24%)		**1,374,213,490**	1,374,213,490
	Fatima Transmission Company Limited - *unquoted* 5,520,000 (2016: 13,125) fully paid ordinary shares of Rs. 10 each. Equity held 24.00% (2016: 37.50%)	*5.3*	**55,200,000**	131,250
	Fatima Electric Company Limited 7,000 (2016: Nil) fully paid ordinary shares of Rs. 10 each. Equity held 20.00% (2016: Nil)		**70,000**	-
	Available for Sale			
	Associated company due to common directorship - at fair value			
	Fatima Fertilizer Company Limited - *at fair value (quoted)* 62,994,031 (2016: 62,994,031) fully paid ordinary shares of Rs. 10 each. Equity held 3.00% (2016: 3.00%)		**2,122,268,904**	2,138,017,412
	Other investments - at cost			
	Multan Real Estate (Private) Limited - *unquoted* 216,440 (2016: 216,440) full paid ordinary shares of Rs. 100 each. Equity held 9.96% (2016: 9.96%)		**21,644,000**	21,644,000
			3,823,396,394	3,784,006,152
			4,165,944,439	3,854,006,152

5.1 This represents long term advances given to associates for purchase of shares. Provisions of section 208 of the Repealed Companies Ordinance, 1984 have been fully complied with in this regard.

5.2 Fazal Weaving Mills Limited was set up to carry business of textile spinning. The Company holds 100% of equity of the subsidiary and investment was made from Company's own sources. Fazal Weaving Mills Limited commenced its commercial operations from April 01, 2014. The investment in Fazal Weaving Mills Limited includes 17,500 shares held in the name of directors.

5.3 During the year advance amounting to Rs. 55.07 million (2016: Rs. 0.131 million) has been converted into 5.51 million (2016: 0.01 million) ordinary shares of FTCL, associated company. Provisions of section 208 of the Repealed Companies Ordinance, 1984 have been fully complied with in this regard.

6 Loan to Subsidiary Company

It represents loan disbursed to finance capital expenditure as well as the working capital needs thereof. It carries mark-up at weighted average borrowing cost of the Company. During the year mark up charged at the rates ranging from 7.22% to 7.29% per annum (2016: 7.24% to 8.00% per annum) . It is subordinated to the extent of Rs. 530 million to all the financing facilities obtained by FWML from MCB Bank Limited, Allied Bank Limited, Faysal Bank Limited, Habib Bank Limited, Askari Bank Limited, United Bank Limited, Meezan Bank Limited, Bank Al-Falah Limited and The Bank of Punjab.

7 Stores, spares and loose tools	*Note*	**2017 Rupees**	2016 Rupees
Stores	*7.1*	**159,372,471**	156,228,510
Spares		**426,797,848**	269,280,709
Loose tools		**691,278**	899,204
		586,861,597	426,408,423
Less: Provision for slow moving items		**(1,770,316)**	(1,770,316)
		585,091,281	424,638,107

7.1 This includes stores in transit of Rs. 66.19 million (2016: Rs. 20.80 million).

8 Stock-in-trade	*Note*	**2017 Rupees**	2016 Rupees
Raw material	*8.1*	**4,333,748,614**	2,594,778,869
Work-in-process		**276,835,823**	247,793,019
		4,610,584,437	2,842,571,888
Finished goods			
Yarn		**1,392,073,807**	1,934,179,805
Fabric		**417,807,500**	336,000,743
		1,809,881,307	2,270,180,548
		6,420,465,744	5,112,752,436

8.1 This includes raw material in transit of Rs. 443.87 million (2016: Rs. 197.19 million).

9	**Trade debts**	*Note*	**2017 Rupees**	2016 Rupees
	Export - *secured against letters of credit*		**2,023,682,671**	863,064,976
	Local - *unsecured, considered good*			
	- Related Parties	*9.1 & 9.2*	**126,138,330**	49,742,725
	- Others	*9.3*	**2,093,219,568**	988,570,576
			4,243,040,569	1,901,378,277

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

	2017 Rupees	2016 Rupees
Fazal Rehman Fabrics Limited	**118,695,560**	43,015,740
Ahmad Fine Textile Mills Limited	**4,036,691**	-
Reliance Weaving Mills Limited	**3,406,079**	6,726,985
	126,138,330	49,742,725

9.2 As at 30 june 2017, trade debts due from related parties of Rs. 76.84 million (2016: Rs. 23.75 million) were past due but not impaired. The ageing analysis of these trade debts is as follows:

	2017 Rupees	2016 Rupees
1 to 30 days	**51,268,863**	8,162,520
30 to 150 days	**24,316,107**	14,532,773
150 days and above	**1,253,286**	1,052,189
	76,838,256	23,747,482

9.3 As at 30 june 2017, trade debts due from other than related parties of Rs. 356.31 million (2016: Rs. 315.11 million) were past due but not impaired. These relates to a number of independent customer from whom there is no recent history of default. The ageing history of these trade debts is as follows:

	Note	**2017 Rupees**	2016 Rupees
1 to 30 days		**229,131,198**	167,221,077
30 to 150 days		**51,964,712**	73,410,532
150 days and above		**75,218,758**	74,481,131
		356,314,668	315,112,740

		Note	2017 Rupees	2016 Rupees
10	**Loans and advances**			
	Considered good			
	Advance to FWML	*10.1*	**572,746,874**	1,284,901,748
	Others			
	Advances to suppliers and contractors		**145,351,672**	121,548,057
	Advances to:			
	- Executives against salaries - secured	*10.2*	**150,000**	813,605
	- Other employees against salaries- secured		**11,312,092**	6,423,413
	Letters of credit		**20,608,699**	19,901,434
			750,169,337	1,433,588,257

10.1 This represents amount provided to FWML for meeting working capital requirements.

10.2 Maximum aggregate amount due from executives at any month end during the year was Rs. 1.5 million (2016: Rs. 1.5 million).

		Note	2017 Rupees	2016 Rupees
11	**Trade deposits and short term prepayments**			
	Deposits		**6,437,920**	1,383,577
	Prepayments		**244,497**	244,498
			6,682,417	1,628,075
12	**Mark-up accrued**			
	Mark-up accrued on:			
	Subsidiary Company - *FWML*	*12.1*	**19,103,087**	40,527,718
	Associated Companies	*12.2*	**27,137,816**	19,408,265
			46,240,903	59,935,983

12.1 Mark-up is accrued on the basis as described in note 6.

12.2 It represents mark-up accrued on advances given against issue of shares to FEL, FTCL and PEL at weighted average borrowing cost of the Company. During the year mark-up was charged at the rates ranging from 7.72% to 7.79% per annum (2016: 7.24% to 8.00% per annum).

		Note	2017 Rupees	2016 Rupees
13	**Other receivables and deposits**			
	Insurance and import claim receivable		**16,349,792**	1,096,577
	Guarantee margin		**80,000,000**	80,000,000
	Duty drawback receivable		**153,716,855**	-
			250,066,647	81,096,577

		2017 Rupees	2016 Rupees
14 Short term investments			
Associated company due to common directorship			
Investment at fair value through profit and loss Fatima Fertilizer Company Limited - *quoted* 6,520,000 (2016: 6,520,000) fully paid ordinary shares of Rs. 10 each Equity held 0.31% (2016: 0.31%)		**219,658,800**	221,288,800

		2017	2016
15 Cash and bank balances			
Cash in hand		**10,372,138**	15,606,982
Cash at banks			
- *Current accounts*		**105,935,431**	69,825,787
- *Saving accounts*	*15.1*	**19,709**	21,178
		105,955,140	69,846,965
		116,327,278	85,453,947

15.1 Rate of interest and mark up on saving accounts ranges from 2.87% to 6.19% (2016: 2.87% to 7.15%) per annum.

16 Issued, subscribed and paid-up capital

2017	2016		**2017**	2016
------(Number of shares)------			**-----------------(Rupees)-----------------**	
1,000,000	1,000,000	Ordinary shares of Rs.10 each fully paid in cash	**10,000,000**	10,000,000
9,187,200	9,187,200	Ordinary shares of Rs.10 each fully paid as right shares	**91,872,000**	91,872,000
19,812,800	19,812,800	Ordinary shares of Rs.10 each issued as bonus shares	**198,128,000**	198,128,000
30,000,000	30,000,000		**300,000,000**	300,000,000

16.1 As at the balance sheet date, ordinary shares held by associated companies, undertakings and related parties are as follows:

	2017	2016	2017	2016
	------(Number of shares)--------		---(Percentage of holding)---	
Fazal Holdings (Private) Limited Formerly Amir Fine Exports (Private) Limited	**7,346,541**	7,346,541	24.49	24.49
Reliance Commodities (Private) Limited	**500**	1,177,347	-	3.92
Mr. Amir Naseem Sheikh	**82,828**	82,828	0.28	0.28
Mrs. Farrukh Mukhtar	**-**	5,651,494	-	18.84
Mr. Fawad Ahmed Mukhtar	**2,415,422**	2,415,422	8.05	8.05
Mr. Sheikh Naseem Ahmad	**8,820**	8,820	0.03	0.03
Mr. Rehman Naseem	**3,101,320**	3,101,320	10.34	10.34
Mr. Fazal Ahmed Sheikh	**2,041,611**	2,041,611	6.80	6.80
Mr. Faisal Ahmed Mukhtar	**2,039,865**	2,039,865	6.80	6.80
Mr. Fahad Mukhtar	**579,715**	44,720	1.93	0.15
Mrs. Mahnaz Amir Sheikh	**4,447**	4,447	0.01	0.01
Mr. Abdullah Amir Fazal	**1,421,639**	-	4.74	-
Mr. Muhammad Yousaf Amir	**1,421,638**	-	4.74	-
Mr. Muhammad Fazeel Mukhtar s/o Faisal Ahmed	**675,895**	-	2.25	-
Mr. Ibrahim Mukhtar s/o Faisal Ahmed	**675,895**	-	2.25	-
Mr. Mohid Muhammad Ahmed s/o Faisal Ahmed	**675,895**	-	2.25	-
Mr. Muhammad Mukhtar Sheikh s/o Fazal Ahmed	**1,012,969**	-	3.38	-
Mr. Asad Muhammad Sheikh s/o Fazal Ahmed	**1,012,970**	-	3.38	-
Mr. Ali Mukhtar S/o Fawad Ahmed	**536,207**	-	1.79	-
Mr. Abbas Mukhtar S/o Fawad Ahmed	**536,206**	-	1.79	-
Fatima Holding Limited	**1,176,847**	-	3.92	-

		2017	2016
17 Capital reserves		**Rupees**	Rupees
Share premium			
Issue of 3,168,000 ordinary shares of Rs. 10 each @ premium of Rs. 20 per share issued during the year 2001		**63,360,000**	63,360,000
Issue of 2,851,200 ordinary shares of Rs. 10 each @ premium of Rs. 5 per share issued during the year 2002	*17.1*	**14,256,000**	14,256,000
		77,616,000	77,616,000
Capital redemption reserve	*17.2*	**175,000,000**	175,000,000
Fair value reserve	*17.3*	**1,354,087,247**	1,369,835,755
		1,606,703,247	1,622,451,755

17.1 The share premium reserve can be utilized by the Company only for the purposes specified in section 83 (2) of the Repealed Companies Ordinance, 1984.

17.2 This represents capital redemption reserve created for the purpose of redemption of preference shares.

17.3 This represents surplus on market value of investments classified as available for sale financial assets.

	2017	2016
18 Surplus on revaluation of fixed assets - net of tax	**Rupees**	Rupees
Gross surplus		
At beginning of the year	**7,646,403,538**	7,968,369,833
Less:		
Effect of disposal of fixed assets	**(742,813)**	(195,033)
Transferred to accumulated profits in respect of incremental depreciation charge for the year	**(305,499,835)**	(321,771,262)
	(306,242,648)	(321,966,295)
At end of the year	**7,340,160,890**	7,646,403,538
Deferred tax liability on revaluation surplus		
At beginning of the year	**1,134,936,481**	1,102,608,906
Effect of disposal of fixed assets	**(132,305)**	(36,225)
Incremental depreciation charged on related assets	**(101,010,288)**	32,363,800
	1,033,793,888	1,134,936,481
	6,306,367,002	6,511,467,057

18.1 Property, plant and equipment of the Company except vehicles, office equipment and furniture and fittings were previously revalued on June 30, 2007 and March 31, 2012 by independent valuers resulting in surplus of Rs. 2,915 million and Rs. 2,028 million respectively. Recent revaluation has been carried out by Joseph Lobo (Private) Limited, an independent valuer not connected with the Company and approved by Pakistan Banks' Association (PBA) in "any amount" category at March, 31 2015 which resulted in the additional surplus of Rs. 4,116.19 million. The basis of revaluation for items of these fixed assets were as follows:

Freehold land

Examined the land features, access roads and noted the general security environment prevailing in the area. Independent inquiries were made from local active realtors and other real estate sources to ascertain the selling prices for the properties of the same nature.

Buildings on freehold land

Examined the construction features and measured each of the built areas involved. Applied prevailing market rates to the construction taking into account the stringent finishes required in the spinning industry. Furthermore, general condition and versatility of the buildings were also considered.

Plant and machinery and others

Plant and machinery and others have been evaluated / assessed by inspecting items of plant and machinery and others. Supplier invoices were not sighted however, Fixed Asset Register ("FAR") as at December, 31 2014 was examined and compared the asset inspected against the FAR. Furthermore, the valuer also consulted industry related dealers to ascertain the likely demand locally in the region. US Dollar has been used as the primary denomination where possible.

As discussed in note 2.3.1 to these financial statements, the Companies Act, 2017 is applicable for financial year ending after 30 June 2017 which will result in reclassification of surplus on revaluation of fixed assets as part of shareholders' equity.

19 Long term financing - *Secured*

	Note	2017 Rupees	2016 Rupees
Long Term Financing	*19.1*	**7,475,659,120**	6,004,221,549
Less: Current portion grouped under current liabilities	*25*	**1,406,960,234**	1,567,973,641
		6,068,698,886	4,436,247,908

19.1 Banking Companies:

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of instalments	Security
	----------- R u p e e s	-----------			
Askari Bank Limited					
- Term finance - TF-VII	-	9,131,343	6 Months KIBOR + 1.25%	Twelve equal half yearly instalments of principal amount ended on September 26, 2016.	1st joint pari passu charge / mortgage of Rs.723.50 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Term finance -TF- VIII	-	20,773,869	6 Months KIBOR + 1.50%	Twelve equal half yearly instalments of principal amount ending on December 23, 2017. However this loan was fully repaid during the year.	
- Term finance -TF	**400,000,000**	400,000,000	6 Months KIBOR + 1.00%	Twelve equal half yearly instalments of principal amount ending on February 19, 2024.	
	400,000,000	429,905,212			
Soneri Bank Limited					
- Term finance -TF	**5,555,554**	16,666,666	3 Months KIBOR + 1.00%	Nine equal half yearly instalments of principal amount ending on October 19, 2017.	1st joint pari passu charge / mortgage of Rs. 1,250.00 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Term finance -TF	**74,927,045**	104,927,045	3 Months KIBOR + 1.00%	Ten equal half yearly instalments of principal amount ending on December 11, 2019.	
- Term finance -TF	**175,000,000**	245,000,000	3 Months KIBOR + 1.00%	Ten equal half yearly instalments of principal amount ending on August 27, 2019.	
- Term finance -TF	**280,000,000**	360,000,000	3 Months KIBOR + 1.00%	Twenty equal quarterly instalments of principal amount ending on October 13, 2020.	
	535,482,599	**726,593,711**			

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of instalments	Security
	----------- Rupees	-----------			
Faysal Bank Limited					
- Term finance -TF	**60,000,000**	100,000,000	3 Months KIBOR + 1%	Ten equal half yearly instalments of principal amount ending on July 20, 2018.	1st joint pari passu charge / mortgage of Rs. 694.00 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Term finance -TF	**71,273,952**	118,791,252	3 Months KIBOR + 1%	Ten equal half yearly instalments of principal amount ending on October 04, 2018.	
- Term finance -TF	**37,285,492**	59,768,189	3 Months KIBOR + 1%	Ten equal half yearly instalments of principal amount ending on January 02, 2019.	
- Term finance -TF	**100,000,000**	140,000,000	3 Months KIBOR + 1%	Ten equal half yearly instalments of principal amount ending on December 07, 2019.	
	268,559,444	418,559,441			
Habib Bank Limited					
- Term finance -TF	**-**	7,361,062	6 Months KIBOR + 1.25%	Twelve equal half yearly instalments of principal amount ending on June 22, 2021. However this loan was fully repaid during the year.	1st joint pari passu charge / mortgage of Rs.214.00 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Demand finance	**72,636,626**	-	6 Months KIBOR + 0.50%	Sixteen equal half yearly instalments of principal amount ending on March 29, 2027.	1st joint pari passu charge / mortgage of Rs.214.00 millionover all present and future fixed assets, ranking charge of Rs.431 million over plant and machinery of the Company and personal guarantees of the sponsoring directors of the Company.
- Demand finance under LTFF Scheme	**131,220,785**	-	SBP rate + 0.50%	Sixteen equal half yearly instalments of principal amount ending on March 29, 2027.	
	203,857,411	7,361,062			

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of instalments	Security
	----------- Rupees -----------				
National Bank of Pakistan					
- Demand finance - III	-	5,601,213	6 Months KIBOR + 2.00%	Ten equal half yearly instalments of principal amount ended on December 02, 2016.	1st joint pari passu charge / mortgage of Rs.2,150.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Demand finance - VI	**28,866,880**	57,733,762	6 Months KIBOR + 2.00%	Ten equal half yearly instalments of principal amount ending on March 23, 2018.	
- Demand finance - VII	**259,776,201**	325,234,206	6 Months KIBOR + 1.25%	Twenty four equal quarterly instalments of principal amount ending on December 03, 2021.	
- Demand finance - VII under LTFF Scheme	**130,406,514**	-	SBP rate + 1.25%	Twenty four equal quarterly instalments of principal amount ending on December 03, 2021.	
	419,049,595	388,569,181			
United Bank Limited					
- Demand Finance	**100,000,000**	140,000,000	3 Months KIBOR + 1.00%	Ten equal half yearly instalments of principal amount ending on September 03, 2019.	1st joint pari passu charge / mortgage of Rs. 1,880.00 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company.
- Demand Finance-II under LTFF Scheme	**796,927,367**	-	SBP rate + 0.50%	Sixteen equal half yearly instalments of principal amount ending on June 30, 2026.	
- Demand Finance-III	**300,000,000**	-	6 Months KIBOR + 1.10%	Eight equal half yearly instalments of principal amount ending on November 30, 2022.	
	1,196,927,367	140,000,000			
MCB Bank Limited					
- Demand finance	**166,654,900**	296,921,669	6 Months KIBOR + 0.70%	Last instalment is falling due on November 28, 2018.	1st joint pari passu charge / mortgage of Rs. 800.00 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company.

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of instalments	Security
	----------Rupees----------				
Allied Bank Limited					
- Term loan- 2	**15,883,311**	57,266,520	6 Months KIBOR + 0.90%	Ten equal half yearly instalments of principal amount ending on December 13, 2017.	1st joint pari passu charge / mortgage of Rs. 2,640.00 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company.
- Term loan- 3	**24,874,233**	76,422,428	6 Months KIBOR + 0.90%	Ten equal half yearly instalments of principal amount ending on November 23, 2017.	
- Term loan- 4	**186,527,935**	312,999,995	6 Months KIBOR + 0.90%	Ten equal half yearly instalments of principal amount ending on December 08, 2018.	
- Term loan- 5	**145,620,792**	182,025,990	6 Months KIBOR + 0.90%	Twelve equal half yearly instalments of principal amount ending on February 26, 2021.	
- Term loan-6	**374,999,999**	458,333,333	6 Months KIBOR + 0.90%	Twelve equal half yearly instalments of principal amount ending on August 06, 2021.	
- Term loan -7	**442,627,983**	-	6 Months KIBOR + 0.65% SBP rate +0.50%	Sixteen equal half yearly instalments of principal amount ending on March 02, 2027.	
	1,190,534,253	1,087,048,266			

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of instalments	Security
	- - - - - - - - - - - R u p e e s - - - - - - - - - - -				
Pak Kuwait Investment Company (Private) Limited					
- Term finance	-	30,000,000	6 Months KIBOR + 2.25%	Ten equal half yearly instalments of principal amount ended on October 28, 2016.	1st joint pari passu charge/mortgage of Rs.667.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Term finance - 2	-	260,000,000	6 Months KIBOR + 1.50%	Eight equal half yearly instalments of principal amount ended on March 30, 2020. However this loan was fully repaid during the year.	
	-	290,000,000			
Pak Brunei Investment Company Limited					
- Term finance	**83,328,382**	116,659,716	3 Months KIBOR + 0.80%	Twelve equal half yearly instalments of principal amount ending on November 02, 2019.	1st joint pari passu charge / mortgage of Rs.534.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Term finance	**25,000,000**	75,000,000	3 Months KIBOR + 0.80%	Eight equal half yearly instalments of principal amount ending on September 18, 2017.	
- Term finance	**250,000,000**	-	3 Months KIBOR + 0.90%	Eight equal half yearly instalments of principal amount ending on January 23, 2022.	
	358,328,382	191,659,716			
Pak Oman Investment Company Limited					
- Term finance	**187,500,000**	237,500,000	6 Months KIBOR + 0.90%	Twenty equal quarterly instalments of principal amount ending on March 25, 2021.	1st joint pari passu charge / mortgage of Rs.467.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Term finance	**350,000,000**	-	3 Months KIBOR + 0.90%	Twenty equal quarterly instalments of principal amount ending on September 23, 2023.	
	537,500,000	237,500,000			

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of instalments	Security
	----------- Rupees -----------				
Bank Al Falah Limited					
- Term finance	-	227,500,000	6 Months KIBOR + 1.25%	Ten equal half yearly instalments of principal amount ending on December 03, 2019. However this loan was fully repaid during the year	1st joint pari passu charge/mortgage of Rs.434.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
NIB Bank Limited					
- Term finance	**560,000,000**	720,000,000	3 Months KIBOR + 0.60%	Ten equal half yearly instalments of principal amount ending on October 31, 2020.	1st joint pari passu charge/mortgage of Rs1,067.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
The Bank of Khyber					
- Term finance	**244,067,708**	313,801,340	6 Months KIBOR + 0.75%	Ten equal half yearly instalments of principal amount ending on July 25, 2020.	1st joint pari passu charge/mortgage of Rs.867.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Demand Finance II	**262,500,000**	300,000,000	6 Months KIBOR + 0.75%	Eight equal half yearly instalments of principal amount ending on October 13, 2020.	
	506,567,708	613,801,340			
The Bank of Punjab					
- Term finance	**187,201,595**	228,801,951	6 Months KIBOR + 0.85%	Twelve equal half yearly instalments of principal amount ending on September 30, 2021.	1st joint pari passu charge/mortgage of Rs.334.000 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Term finance	**14,790,818**	-	6 Months KIBOR + 0.75%	Sixteen equal half yearly instalments of principal amount ending on December 05, 2026.	1st joint pari passu charge/mortgage of Rs.334.00 million on all present and future fixed assets, ranking charge of Rs.764.00 million on plant and machinery of the Company and personal guarantees of the sponsoring directors.
- Term finance - under LTFF Scheme	**480,205,048**	-	SBP rate + 0.50%	Sixteen equal half yearly instalments of principal amount ending on December 05, 2026.	
	682,197,461	228,801,951			
Standard Chartered Bank (Pakistan) Ltd					
- Term finance	**450,000,000**	-	6 Months KIBOR + 1.00%	Eight equal half yearly instalments of principal amount ending on October 06, 2021.	1st joint pari passu charge/mortgage of Rs.1,600.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
	7,475,659,120	**6,004,221,549**			

20 Long term musharika - *secured*

Islamic mode of financing

	Note	2017 Rupees	2016 Rupees
Long term musharika	20.1	**1,221,250,000**	1,445,000,000
Less: Current portion grouped under current liabilities	25	**342,500,000**	223,750,000
		878,750,000	1,221,250,000

20.1 Banking Companies:

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of instalments	Security
Meezan Bank Limited					
- Diminishing Musharika -II	**25,000,000**	75,000,000	6 Months KIBOR + 0.90%	Ten equal half yearly instalments of principal amount ended on November 24, 2017.	Exclusive charge of Rs.334.00 million over machinery imported through Meezan Bank Ltd and personal guarantees of the sponsoring directors of the Company.
- Diminishing Musharika -III	**90,000,000**	120,000,000	6 Months KIBOR + 0.90%	Ten equal half yearly instalments of principal amount ended on January 30, 2020.	Exclusive charge of Rs.200.00 million over machinery imported through Meezan Bank Ltd and personal guarantees of the sponsoring directors of the Company.
	115,000,000	195,000,000			
Dubai Islamic Bank Pakistan Limited					
- Diminishing Musharika	**450,000,000**	500,000,000	6 Months KIBOR + 1.00%	Ten equal half yearly instalments of principal amount ended on October 08, 2021.	1st joint pari passu charge/mortgage of Rs.666.67 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
Standard Chartered Bank (Pakistan) Limited					
- Diminishing Musharika	**656,250,000**	750,000,000	6 Months KIBOR + 1.00%	Eight equal half yearly instalments of principal amount ended on August 26, 2020.	1st joint pari passu charge/mortgage of Rs.1,600.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
	1,221,250,000	1,445,000,000			

21 Deferred liabilities

	Note	2017 Rupees	2016 Rupees
Staff gratuity	*21.1*	**204,404,551**	209,641,455
Deferred taxation	*21.2*	**2,175,617,785**	2,069,560,362
		2,380,022,336	2,279,201,817

21.1 Staff gratuity

The latest actuarial valuation of the Company's defined benefit plan, was conducted at June 30, 2017 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

21.1.1 The amounts recognized in the balance sheet are as follows:

	Note	2017 Rupees	2016 Rupees
Present value of defined benefit obligation	*21.1.5*	**204,404,551**	209,641,455
Liability at end of the year		**204,404,551**	209,641,455

21.1.2 The amounts recognized in the profit and loss account against defined benefit plan are as follows:

	2017	2016
Current service cost	**73,192,402**	83,567,483
Interest cost	**11,711,606**	16,823,219
Charge to profit and loss	**84,904,008**	100,390,702

21.1.3 Included in other comprehensive income

	2017	2016
Remeasurement of defined benefit obligation from:		
Actuarial (gains) / losses from changes in financial assumptions	**4,617,916**	(1,842,960)
Experience adjustment on obligation	**1,445,306**	(25,230,185)
Charge to other comprehensive income	**6,063,222**	(27,073,145)

21.1.4 Movement in the liability recognized in the balance sheet is as follows:

	Note	2017	2016
Liability at beginning of the year		**209,641,455**	212,473,755
Charge for the year	*21.1.2*	**84,904,008**	100,390,702
Actuarial loss charged to other comprehensive income	*21.1.3*	**6,063,222**	(27,073,145)
Benefits paid during the year		**(96,204,134)**	(79,855,840)
Liability transferred in from group Company		**-**	3,705,983
Liability at end of the year		**204,404,551**	209,641,455

21.1.5 Movement in the present value of defined benefit obligation is as follows:

	2017	2016
Present value of defined benefit obligation at beginning of the year	**209,641,455**	212,473,755
Current service cost	**73,192,402**	83,567,483
Interest cost	**11,711,606**	16,823,219
Benefits paid	**(96,204,134)**	(79,855,840)
Actuarial loss	**6,063,222**	(27,073,145)
Liability transferred in from group Company	**-**	3,705,983
Present value of defined benefit obligation at end of the year	**204,404,551**	209,641,455

21.1.6 Actuarial assumptions:

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

	2017	2016
Discount rate used for interest cost in profit and loss	**7.25%**	9.75%
Discount rate used for year end obligation	**7.25%**	7.25%
Expected rate of growth per annum in future salaries	**6.75%**	6.25%
Mortality Rates	**SLIC 2001 - 2005 Setback 1 Year**	SLIC 2001 - 2005 Setback 1 Year
Retirement Assumption	**Age 60**	Age 60

21.1.7 Sensitivity analysis

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

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
	Percentage	**-------- Rupees**	**----------**
Discount rate	1.00%	**191,908,120**	**218,887,942**
Salary growth rate	1.00%	**219,545,135**	**191,077,877**

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

The Company expects to charge Rs. 95.39 million to profit and loss account on account of defined benefit plan in 2018.

Historical Information:

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

	2017	2016	2015	2014	2013
	------------------------------	**Rupees**	----------------------------		
Present value of defined benefit obligation	**204,404,551**	209,641,455	212,473,755	157,106,513	130,453,221
Experience adjustment	**6,063,222**	(27,073,145)	15,836,461	1,470,301	31,517,909

21.1.8 The Plan exposes the Company to the actuarial risks such as:

- **Salary risks**

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

- **Demographic risks**

Mortality Risk

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

Withdrawal Risk

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

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

21.2 Deferred taxation

	2017					
	Opening balance	Addition Surplus	Effect of change of rate	Charge to / (reversal from) Profit or loss	Charge to / (reversal from) Other comprehensive income	Closing balance
	----------	----------	----------	Rupees	----------	----------
Taxable temporary difference						
Surplus on revaluation of operating assets	1,134,936,481	-	-	(101,142,593)	-	1,033,793,888
Tax depreciation allowance	1,038,830,879	-	-	58,743,111	-	1,097,573,990
Effect of Group Taxation	236,379,087	-	-	145,911,952	-	382,291,039
	2,410,146,447	-	-	103,512,470	-	2,513,658,917
Deductible temporary difference						
Provision for gratuity	(38,938,646)	-	-	3,611,394	(1,079,941)	(36,407,193)
Minimum tax carried forward	(301,318,622)	-	-	-	-	(301,318,622)
Provision for slow moving items	(328,817)	-	-	13,500	-	(315,317)
	(340,586,085)	-	-	3,624,894	(1,079,941)	(338,041,132)
Deferred tax liability	2,069,560,362	-	-	107,137,364	(1,079,941)	2,175,617,785

	2016					
	Opening balance	Addition Surplus	Effect of change of rate	Charge to / (reversal from)		Closing balance
				Profit or loss	Other comprehensive income	
	Rupees					
Taxable temporary difference						
Surplus on revaluation of operating assets	1,102,608,906	-	-	32,327,575	-	1,134,936,481
Tax on specie dividend	62,994,031	-	-	(62,994,031)	-	-
Tax depreciation allowance	960,739,863	-	-	78,091,016	-	1,038,830,879
Effect of Group Taxation	114,533,566	-	-	121,845,521	-	236,379,087
	2,240,876,366	-	-	169,270,081	-	2,410,146,447
Deductible temporary difference						
Provision for gratuity	(36,248,023)	-	-	(7,719,169)	5,028,546	(38,938,646)
Minimum tax carried forward	(253,999,670)	-	-	(47,318,952)	-	(301,318,622)
Provision for slow moving items	(301,991)	-	-	(26,826)	-	(328,817)
	(290,549,684)	-	-	(55,064,947)	5,028,546	(340,586,085)
Deferred tax liability	1,950,326,682	-	-	114,205,134	5,028,546	2,069,560,362

The Company has opted for Group taxation from tax year 2014. Minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 amounting to Rs. 604.25 million (2016: Rs. 545.73 million) are available to the Company. However, out of this, deferred tax asset has only been recognised on Rs. 301.32 (2016: 301.32 million) as sufficient tax profits may not be available to set these off in foreseeable future on the remaining amount. The recognition of deferred tax asset shall be re-assessed on June 30, 2018.

22 Trade and other payables

	Note	2017 Rupees	2016 Rupees
Trade creditors		**300,113,258**	309,275,748
Accrued liabilities		**1,192,255,092**	1,202,356,417
Advance from customers		**48,794,993**	47,182,447
Un-claimed dividend		**7,972,261**	3,198,405
Due to associated undertakings	*22.1*	**12,485,573**	22,664,752
Tax deducted at source		**6,914,998**	7,742,508
Infrastructure cess	*26.1.5*	**255,715,904**	200,941,062
Workers' Profit Participation Fund	*22.2*	**24,725,225**	25,022,533
Workers' Welfare Fund	*22.3*	**-**	124,867,986
Due to employees		**-**	378,107
		1,848,977,304	1,943,629,965

22.1 Due to associated undertakings

	2017 Rupees	2016 Rupees
Hussain Ginneries Limited	**11,350,171**	10,435,873
Fatima Sugar Mills Limited	**4,835**	4,835
Ahmed Fine Textile Mills Limited	**-**	1,652,747
Pakarab Fertilizer Limited	**40,501**	40,501
Fatima Energy Limited	**-**	3,841,919
Fatima Fertilizer Company Limited	**1,090,066**	6,688,877
	12,485,573	22,664,752

22.2 Workers' Profit Participation Fund

	Note	2017 Rupees	2016 Rupees
Balance as at July 01,		**25,022,533**	36,431,957
Add: Interest on funds utilized by the Company		**3,239,218**	5,988,815
Provision for the year	*31*	**24,725,225**	25,022,533
		52,986,976	67,443,305
Less: Payment made during the year		**(28,237,928)**	(42,324,844)
Deposited in Government Treasury		**(23,823)**	(95,928)
Balance as at June 30,		**24,725,225**	25,022,533

22.3 Workers' Welfare Fund

	Note	2017 Rupees	2016 Rupees
Balance as at July 01,		**124,867,986**	115,359,423
Add: Allocation for the year	*31*	-	9,508,563
Less: Reversal of provision	*32*	**(124,867,986)**	-
Balance as at June 30,		**-**	124,867,986

22.3.1 On 10 November 2016 the Honorable Supreme Court of Pakistan ("SCP") has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment,which is pending hearing. The management is of the view that the judgmenthas removed the very basis on which the demands were raised against the Company. Therefore, the Company has reversed this provision as there was no longer any liability against the Company under the WWF Ordinance and that all cases pending in the Court or lower appellate forums will now be disposed of in light of the earlier judgment of the SCP.

	2017	2016
	Rupees	Rupees
23 Accrued mark-up		
Mark-up based loans from conventional bank:		
Long term financing- *secured*	**126,832,098**	131,102,019
Short term borrowings- *secured*	**58,297,767**	55,049,830
Islamic mode of financing:		
Long term musharika- *secured*	**55,198,807**	60,728,384
Short term borrowings- *secured*	**8,927,861**	928,580
	249,256,533	247,808,813

24 Short term borrowings - *secured*

Banking Companies	**Nominal interest rate %**		
Mark-up based borrowings from conventional banks - secured			
Cash finance	**6.40 - 7.29**	**349,472,403**	58,812,299
Running finance	**6.18 - 7.35**	**167,818,682**	267,677,573
Foreign currency export finance (cash and running finance)	**0.90 - 3.73**	**2,485,262,665**	1,492,701,347
Finance against imported merchandise	**6.18 - 7.03**	**649,006,663**	68,182,788
Money market loan (cash and running finance)	**6.13 - 6.49**	**2,954,484,273**	1,990,000,000
Islamic mode of financing - secured			
Running Musharika	**6.39 - 6.44**	**378,281,952**	8,216,238
Import Murabaha	**6.18 - 6.41**	**531,820,021**	-
		7,516,146,659	3,885,590,245

24.1 The Company has short term borrowing facilities including funded and non-funded available from various commercial banks under mark-up / profit arrangements having aggregate sanctioned limits of Rs. 19,884 million (2016: Rs. 20,071 million).These facilities are secured against different securities including pledge of stock- in-trade, hypothecation on stocks, stores and spares, charge on current assets, lien on debtors, lien on imports and exports documents and personal guarantees of the sponsoring directors. The pledge based outstanding borrowings out of the above outstanding borrowings are secured against pledge of stock-in-trade amounting to Rs. 3,720 million. Short term borrowing facilities which remained unutilized at year end were Rs. 10,450 million (2016: Rs. 15,207 million). These facilities are expiring on various dates latest by September 25, 2018.

25 Current portion of non-current liabilities	*Note*	**2017** **Rupees**	2016 Rupees
Markup bearing finances from conventional banks:			
Long term financing -*secured*	*19*	**1,406,960,234**	1,567,973,641
Islamic mode of financing			
Long term musharika- *secured*	*20*	**342,500,000**	223,750,000
		1,749,460,234	1,791,723,641

26 Contingencies and commitments

26.1 *Contingencies*

26.1.1 The officials of Large Taxpayers Unit, Lahore through separate notices have initiated proceedings under sections 161 of the Income Tax Ordinance, 2001 for verification of compliance with income tax withholding provisions in respect of payments made during period relevant to tax year 2012. Furthermore, proceedings under 122(5) amendment of deemed income tax assessment of tax year 2013 have also been initiated by the department. The Company has furnished its explanations, however, proceedings are pending.

26.1.2 Consequent to amendment of deemed income tax assessment of tax years 2006 to 2012, the Company has been extended significant relief by the first appellate authority. The issues in respect of which Commissioner Appeals did not allow relief have been taken up in appeals before the Appellate Tribunal Inland Revenue and such appeals are pending.

26.1.3 Admissibility of "payment of interest to preference share-holders" has been disputed in income tax amendment orders for tax years 2007 to 2012 involving a sum of Rs. 209 million. The first appellate authority has maintained departmental stance. The Company's appeals are lying with Appellate Tribunal Inland Revenue.

26.1.4 The departmental officials through separate orders dated November 26, 2015 and February 25, 2016 have disregarded input tax to an aggregate sum of Rs. 24.4 million.The departmental officials through an order dated July 31, 2017 also raised a sales tax demand of Rs. 71 million against the Company. The Company has preferred appeals against such orders before the Commissioner Inland Revenue (Appeals) which are pending.

26.1.5 Infrastructure cess levied by the Excise and Taxation Department of Sindh under section 9 of Sindh Finance Act 1994 on items imported by the Company. The Company has filed an appeal in the Sindh High Court at Karachi against the said levy. The appeal is pending for decision till the balance sheet date. However keeping in view any unfavorable outcome of the appeal, the Company has provided the balance payable amount in these financial statements.

Based on the opinion of the Company's legal counsel the management is confident of favourable outcome in all aforesaid matters, hence no provision, except for note 26.1.5, is being recognised in respect of these in the financial statements.

26.1.6 Export documents negotiated with banks under Foreign bill purchase facility are Nil (2016: $ 1.48 million).

26.2 Commitments

	Note	2017 Rupees	2016 Rupees
26.2.1 Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies.		**581,413,715**	408,989,000
26.2.2 Commitments against irrevocable letters of credit:			
- capital expenditure		**686,911,980**	782,141,909
- raw material and stores and spares		**1,336,804,565**	552,003,377
- others	*26.2.3*	**987,500,000**	800,000,000
		3,011,216,545	2,134,145,287

26.2.3 As at balance sheet date, Stand by Letters of Credit ("SBLC") amounting to Rs. 987.5 million (2016: 800 million) are outstanding which were issued by the National Bank of Pakistan and Summit Bank Ltd on behalf of the Company favoring the lenders of FEL, an associated company, confirming that in case of failure of the Company to make payment of the committed amount of equity during the period of six months, the lenders of FEL can draw on the SBLCs to cover the amount not paid by the Company. An amount of Rs. 1,679 million (2016: Rs. 1,374 million) has been paid by the Company to FEL till June 30, 2017.

	Note	2017 Rupees	2016 Rupees
27 Sales - *net*			
Local:			
Yarn		**13,768,899,843**	9,281,416,228
Comber noil		**79,063,259**	28,606,285
Fabric		**3,974,946,998**	3,686,231,601
Waste		**283,791,299**	188,361,513
		18,106,701,399	13,184,615,627
Cotton and other products		**94,434,533**	54,502,787
		18,201,135,932	13,239,118,414
Less:			
Sales return		**23,948,135**	57,693,190
Sales tax		**-**	464,081,218
		23,948,135	521,774,408
Net local sales		**18,177,187,797**	12,717,344,006
Export:	*27.1*		
Yarn		**6,418,056,518**	5,976,114,549
Fabric		**1,559,220,907**	1,658,378,734
Comber noil		**233,582,182**	264,141,789
		8,210,859,607	7,898,635,072
Duty drawback on exports	*27.2*	**166,903,655**	-
		8,377,763,262	7,898,635,072
		26,554,951,059	20,615,979,078

27.1 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs. 26.82 (2016: Rs. 42.60 million) has been included in export sale.

27.2 This represents an amount of Duty Drawback on exports under Duty Drawback of Taxes Order 2016-2017 allowed by the Ministry of Textile under the Prime Minister's package of incentives for exporters.

	Note	2017 Rupees	2016 Rupees
28 Cost of sales			
Raw material consumed	*28.1*	**16,285,884,348**	13,592,171,274
Packing material consumed		**305,442,524**	309,554,444
Salaries, wages and benefits	*28.2*	**1,572,703,983**	1,607,569,120
Travelling and conveyance		**12,850,557**	4,689,614
Power and fuel		**2,581,100,070**	2,225,510,434
Stores and spares consumed		**479,909,382**	466,300,847
Repair and maintenance		**24,988,316**	27,994,606
Insurance		**49,034,149**	53,446,306
Depreciation	*4.3*	**737,292,321**	758,361,729
Rates and taxes		**15,179,398**	15,082,302
Others		**1,177,430**	1,177,669
		22,065,562,478	19,061,858,345
Adjustment of work-in-process			
Opening stock		**247,793,019**	249,878,782
Closing stock		**(276,835,823)**	(247,793,019)
		(29,042,804)	2,085,763
Cost of goods manufactured		**22,036,519,674**	19,063,944,108
Adjustment of finished goods:			
Opening stock		**2,270,180,548**	1,042,443,831
Finished goods purchased		**2,187,040,347**	972,977,005
Closing stock		**(1,809,881,307)**	(2,270,180,548)
		2,647,339,588	(254,759,712)
Cost of goods sold		**24,683,859,262**	18,809,184,396
Cost of raw material sold		**88,789,352**	52,462,013
		24,772,648,614	18,861,646,409

28.1 Raw material consumed

	Note	2017 Rupees	2016 Rupees
Opening stock		**2,594,778,869**	3,153,710,935
Purchases and expenses		**17,916,149,771**	12,974,175,779
Transfer from ginning unit	*28.1.1*	**108,704,323**	59,063,429
		18,024,854,093	13,033,239,208
		20,619,632,962	16,186,950,143
Less:			
Closing stock		**3,889,879,163**	2,397,590,261
Stock-in-transit		**443,869,451**	197,188,608
		4,333,748,614	2,594,778,869
		16,285,884,348	13,592,171,274

	2017 Rupees	2016 Rupees
28.1.1 Production cost of ginning unit - *net*		
Raw material purchased and consumed	**144,124,246**	73,547,802
Lease charges	**1,250,000**	1,250,000
Salaries, wages and benefits	**4,353,132**	3,925,414
Travelling and conveyance	**555,125**	583,857
Repair and maintenance	**207,118**	626,751
Store consumption	**181,038**	212,558
Utilities	**64,101**	92,448
Entertainment	**149,617**	134,366
Legal and professional	**40,070**	65,947
Printing and stationery	**16,954**	21,101
Communication	**46,780**	34,798
Insurance	**134,438**	154,590
Others	**86,490**	104,824
	151,209,109	80,754,456
Less: Sale of cotton seed	**(42,504,786)**	(21,691,027)
Transferred to raw material consumed	**108,704,323**	59,063,429

The Company has acquired a cotton ginning factory (Hussain Ginneries Limited) on operating lease basis. Its total cost of production, after adjustment of sale of cotton seed to third parties, has been transferred to the Company as raw material cost.

28.2 These include Rs. 73.47 million (2016: Rs. 86.85 million) in respect of staff retirement benefits.

	Note	2017 Rupees	2016 Rupees
29 Selling and distribution expenses			
Export sales:			
Export development surcharge		**17,460,857**	20,176,593
Freight, shipment and handling charges		**179,919,469**	165,545,551
Insurance		**2,087,820**	994,281
Commission		**142,709,327**	106,309,863
Local sales:			
Freight, shipment, handling and other charges		**24,559,955**	19,381,461
Insurance		**1,570,623**	1,372,070
Salaries and benefits - *marketing staff*	*29.1*	**6,788,269**	4,753,121
Commission		**51,591,217**	57,921,166
		426,687,537	376,454,106

29.1 These include Rs. 0.66 million (2016: Rs. 0.41 million) in respect of staff retirement benefits.

30 Administrative expenses	*Note*	**2017 Rupees**	2016 Rupees
Salaries and benefits	*30.1*	**149,235,476**	133,569,260
Traveling and conveyance	*30.2*	**10,232,260**	9,310,096
Vehicle running and maintenance		**16,985,480**	16,465,085
Rent, rates, taxes and fees		**11,732,687**	11,772,061
Electricity, gas and water		**4,325,795**	2,535,318
Entertainment / guest house expenses		**12,281,780**	9,617,762
Communication		**11,014,395**	12,148,547
Printing and stationery		**6,108,231**	5,392,971
Insurance		**4,715,949**	5,671,880
Repair and maintenance		**3,535,695**	4,496,202
Subscription / advertisement		**4,752,410**	1,656,385
Auditors' remuneration	*30.3*	**1,769,040**	1,452,000
Legal and professional charges		**5,158,855**	7,090,211
Directors' meeting fee		**150,000**	120,000
Depreciation	*4.3*	**19,800,286**	23,007,203
Others		**2,884,475**	2,624,088
		264,682,814	246,929,069

30.1 These include Rs. 10.77 million (2016: Rs. 9.59 million) in respect of staff retirement benefits.

30.2 These include Directors' traveling expense of Rs. 3.9 million (2016: Rs. 2.7 million).

30.3 Auditors' remuneration	*Note*	**2017 Rupees**	2016 Rupees
Fee for statutory audit		**1,320,000**	1,320,000
Out of pocket expenses		**132,000**	132,000
		1,452,000	1,452,000

31 Other expenses			
Workers' Profit Participation Fund	*22.2*	**24,725,225**	25,022,533
WWF	*22.3*	**-**	9,508,563
Unrealized loss on re-measurement of short term investments to fair value		**-** **1,630,000**	33,447,600
Donations	*31.1*	**6,597,568**	9,708,589
Promotion of education		**395,803**	905,699
Dividend receivable written off		**-**	3,868,592
Bad debts written off		**4,061,202**	1,885,174
		37,409,798	84,346,750

31.1 Donations include Rs. 3.61 million (2016: Rs. 4.29 million) paid to Fazal-ur-Rehman Foundation, 487-A, Mumtazabad, Vehari Road, Multan. Sheikh Naseem Ahmad (Chief Executive Officer) is amongst the trustees of the Foundation.

			2017	2016
32	**Other income**	*Note*	**Rupees**	Rupees
	From financial assets			
	Dividend income		**225,920,601**	191,556,417
	Gain on disposal of short term Investments		**-**	83,233,325
	Mark-up on loan to subsidiary	*6*	**38,338,024**	40,527,718
	Mark-up on advance to associated undertaking	*12.2*	**7,729,551**	7,188,486
			271,988,176	322,505,946
	From non-financial assets			
	Gain on disposal of property, plant and equipment		**11,419,629**	2,022,527
	Reversal of provision of WWF	*22.3*	**124,867,986**	-
	Scrap sales		**8,399,481**	2,225,181
			144,687,096	4,247,708
			416,675,272	326,753,654

			2017	2016
33	**Finance cost**	*Note*	**Rupees**	Rupees
	Mark-up based loans from conventional banks:			
	- Long term financing -*secured*		**480,175,441**	521,471,650
	- Short term borrowings -*secured*		**207,227,979**	188,218,089
	Islamic mode of financing:			
	- Musharika - *secured*		**97,127,928**	95,823,009
	- Short term borrowings -*secured*		**21,457,896**	32,166,686
	Bank charges		**69,561,061**	73,625,989
	Interest on Workers' Profit Participation Fund	*22.2*	**3,239,218**	5,988,815
			878,789,523	917,294,238

34	**Taxation**			
	Current			
	- *for the year*		**111,569,254**	192,292,816
	- *prior year*		**(15,585,089)**	-
	Deferred			
	- *group taxation*		**145,911,952**	121,845,521
	- *others*		**(38,774,588)**	(7,640,387)
			107,137,364	114,205,134
			203,121,529	306,497,950

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

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

	2017	2016
Applicable tax rate	**31%**	32%
Tax effect of amounts that are:		
- Tax effects of temporary differences	**-7%**	23%
- Effect of group taxation	**25%**	27%
- Tax effect of prior year adjustment	**-3%**	0%
- Tax effect of minimum tax	**17%**	-4%
- Tax effect of tax credits under section 65(B)	**-29%**	-11%
Average effective tax rate charged to profit and loss account	**34%**	67%

34.3 Through Finance Act, 2017 provisions of section 5A of the Income Tax Ordinance, 2001 have been substituted to the effect that for tax year 2017 and onwards a tax at the rate of 7.5% of accounting profit before tax is leviable to a public limited company other than schedule bank or a modarba that derives profit for a tax year but does not distribute (by way of cash or bonus shares) at least 40% of after tax profits within six months of end of tax year.

34.4 As explained in note 43 to the financial statements, the Board of Directors in their meeting held on October 05, 2017 has recommended a cash dividend of Rs.5.25 per ordinary share for the year ended June 30, 2017 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended June 30, 2017.

34.4 Super tax under section 4(a) of the Income Tax Ordinance, 2001 is not applicable to the Company as the imputable income does not meet the threshold of Rs. 500 million.

35 Earnings per share - *basic and diluted*

35.1 Basic earnings per share

		2017	2016
Profit after taxation	***Rupees***	**388,286,516**	149,564,210
Weighted average number of ordinary shares	***No. of shares***	**30,000,000**	30,000,000
Earnings per share	***Rupees***	**12.94**	4.99

35.2 Diluted earnings per share

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

36 Fair value measurement of financial instruments

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

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

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

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

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

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

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

	Carrying amount			Fair value	
	Loans and receivables	Other financial liabilities	Total	Level 1	Total
As at June 30, 2017	----------	----------	Rupees	----------	----------
Financial assets - measured at fair value					
Long term investment	2,122,268,904	-	2,122,268,904	2,122,268,904	2,122,268,904
Short term investments	219,658,800	-	219,658,800	219,658,800	219,658,800
Financial assets - not measured at fair value					
Long term advances and investments	2,043,675,535	-	2,043,675,535	-	-
Loan to Subsidiary Company	530,000,000	-	530,000,000	-	-
Trade debts	4,243,040,569	-	4,243,040,569	-	-
Loans and advances	750,169,337	-	750,169,337	-	-
Mark-up accrued	46,240,903	-	46,240,903	-	-
Other receivables and deposits	250,066,647	-	250,066,647	-	-
Bank balances	105,955,140	-	105,955,140	-	-
	10,311,075,835	-	10,311,075,835	2,341,927,704	2,341,927,704
Financial liabilities - not measured at fair value					
Long term financing - secured	-	6,068,698,886	6,068,698,886	-	-
Long term musharika - secured	-	878,750,000	878,750,000	-	-
Trade and other payables	-	1,561,621,177	1,561,621,177	-	-
Accrued mark-up	-	249,256,533	249,256,533	-	-
Short term borrowings - secured	-	7,516,146,659	7,516,146,659	-	-
Current portion of non-current liabilities	-	1,749,460,234	1,749,460,234	-	-
	-	18,023,933,489	18,023,933,489	-	-

As at June 30, 2016	Carrying amount			Fair value	
	Loans and receivables	Other financial liabilities	Total	Level 1	Total
	Rupees				
Financial assets - measured at fair value					
Long term investment	2,138,017,412	-	2,138,017,412	2,138,017,412	2,138,017,412
Short term investments	221,288,800	-	221,288,800	221,288,800	221,288,800
Financial assets - not measured at fair value					
Long term advance and investments	1,715,988,740	-	1,715,988,740	-	-
Loan to Subsidiary Company	530,000,000	-	530,000,000	-	-
Trade debts	1,901,378,277	-	1,901,378,277	-	-
Loans and advances	1,433,588,257	-	1,433,588,257	-	-
Mark-up accrued	59,935,983	-	59,935,983	-	-
Other receivables and deposits	81,096,577	-	81,096,577	-	-
Bank balances	69,846,965	-	69,846,965	-	-
	8,151,141,011	-	8,151,141,011	2,359,306,212	2,359,306,212
Financial liabilities - not measured at fair value					
Long term financing *-secured*	-	4,436,247,908	4,436,247,908	-	-
Long term musharika *-secured*	-	1,221,250,000	1,221,250,000	-	-
Trade and other payables	-	1,585,055,876	1,585,055,876	-	-
Accrued mark-up	-	247,808,813	247,808,813	-	-
Short term borrowings *-secured*	-	3,885,590,245	3,885,590,245	-	-
Current portion of non-current liabilities	-	1,791,723,641	1,791,723,641	-	-
	-	13,167,676,483	13,167,676,483	-	-

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

37 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

37.1 Risk management framework

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

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

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

37.2 Credit risk

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

Total financial assets of Rs. 10,353.30 million (2016: Rs. 8,178.96 million) are subject to credit risk.

Exposure to credit risk

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

	2017 Rupees	2016 Rupees
Available for sale		
Long term advances and investments	**4,165,944,439**	3,854,006,152
Held for trading		
Short term investments	**219,658,800**	221,288,800
Loans and receivables		
Long term deposits	**24,446,493**	24,446,493
Loans and advances	**1,280,169,337**	1,963,588,257
Trade debts	**4,243,040,569**	1,901,378,277
Trade deposits	**6,437,920**	1,383,577
Mark-up accrued	**46,240,903**	59,935,983
Other receivables and deposits	**250,066,647**	81,096,577
Bank balances	**105,955,140**	69,846,965
	10,341,960,248	8,176,971,081

37.2 (a) Other financial assets

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

Long term investment	**Rating**	**2017 Rupees**	2016 Rupees
Fatima Fertilizers Company Limited	AA-	**2,122,268,904**	2,138,017,412
Fazal Weaving Mills Limited	A-	**250,000,000**	250,000,000
Fatima Energy Limited	N/A	**1,374,213,490**	1,374,213,490
Fatima Transmission Company Limited	N/A	**55,200,000**	131,250
Multan Real Estate (Private) Limited	N/A	**21,644,000**	21,644,000
Short term investment			
Fatima Fertilizers Company Limited	A1	**219,658,800**	221,288,800
		4,042,985,194	4,005,294,952

37.2 (b) Bank balances

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

Bank	Rating		Rating	2017	2016
	Short term	Long term	agency	Rupees	Rupees
Allied Bank Limited	A1+	AA+	PACRA	**12,649,344**	-
National Bank of Pakistan	A1+	AAA	PACRA	**5,435,360**	14,894,184
MCB Bank Limited	A1+	AAA	PACRA	**7,443,538**	5,584,714
Meezan Bank Limited	A1+	AA	JCR-VIS	**21,309,633**	3,874,908
UBL Bank Limited	A1+	AAA	JCR-VIS	**2,516,710**	14,105,322
Standard Chartered Bank				**-**	-
Pakistan Limited	A1+	AAA	PACRA	**3,861,693**	864,664
Habib Bank Limited	A1+	AAA	JCR-VIS	**6,503,247**	20,002,389
Soneri Bank Limited	A1+	AA-	PACRA	**19,468,048**	9,379
NIB Bank Limited	A1+	AA-	PACRA	**154,734**	171,794
Bank Al Falah Limited	A1+	AA+	JCR-VIS	**4,648,931**	4,675,122
Askari Bank Limited	A1+	AA	JCR-VIS	**2,299,452**	1,395,896
The Bank of Punjab	A1+	AA	PACRA	**2,297,599**	2,941,725
The Bank of Khyber	A1	A	PACRA	**922,591**	213,362
Bank Al Habib Limited	A1+	AA+	PACRA	**1,044,256**	828,057
Bank Islamic Limited	A1	A	PACRA	**79,930**	79,930
Dubai Islamic Bank					
Pakistan Limited	A-1	AA-	JCR-VIS	**6,672,866**	199,163
Faysal Bank Limited	A1+	AA	PACRA	**7,323,315**	6,356
Samba Bank Limited	A1	AA	JCR-VIS	**3,660**	-
Silk Bank Limited	A-2	A-	JCR-VIS	**73,295**	-
Metropolitan Bank	A1+	AA+	PACRA	**628,582**	-
Arif Habib Rupali Bank Ltd	A-1	AA-	JCR-VIS	**612,001**	-
Prime Bank Ltd	ST-2	AA	CRISL	**6,355**	-
				105,955,140	69,846,965

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

37.3 Concentration of credit risk

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

37.4 Liquidity risk

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

Exposure to liquidity risk

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

	Weighted average effective rate of interest	2017							
		Carrying value	**Contractual cash flows**	**Less than one month**	**One to three months**	**Three months to one year**	**One to five years**	**Above five years**	**Total**
					Rupees				
Financial liabilities									
Long term financing	**2.50% to 12.70%**	**8,696,909,120**	**10,082,682,657**	**133,984,718**	**373,237,582**	**1,716,799,665**	**6,377,076,123**	**1,481,584,569**	**10,082,682,657**
Short term borrowings	**0.90% to 7.35%**	**7,516,146,659**	**7,583,372,287**	**3,850,057,310**	**2,552,488,293**	**1,180,826,684**	**-**	**-**	**7,583,372,287**
Trade and other payables		**1,561,621,177**	**1,561,621,177**	**363,795,511**	**942,109,762**	**255,715,904**	**-**	**-**	**1,561,621,177**
		17,774,676,956	**19,227,676,121**	**4,347,837,539**	**3,867,835,637**	**3,153,342,253**	**6,377,076,123**	**1,481,584,569**	**19,227,676,121**

	Weighted average effective rate of interest	2016							
		Carrying value	Contractual cash flows	Less than one month	One to three months	Three months to one year	One to five years	Above five years	Total
					Rupees				
Financial liabilities									
Long term financing	7.00% to 12.66%	7,449,221,549	8,804,060,245	298,125,331	524,848,150	1,590,022,740	6,249,400,536	141,663,488	8,804,060,245
Short term borrowings	0.90% to 8.50%	3,885,590,245	3,941,568,655	2,324,706,110	1,548,679,758	68,182,787	-	-	3,941,568,655
Trade and other payables		1,585,055,876	1,587,042,846	367,857,216	1,018,244,568	200,941,062	-	-	1,587,042,846
		12,919,867,670	14,332,671,746	2,990,688,657	3,091,772,476	1,859,146,589	6,249,400,536	141,663,488	14,332,671,746

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

37.5 Market risk

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

37.5.1 Currency risk

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

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

	2017 **Rupees**	2016 Rupees
Balance sheet items		
Export finances	**2,485,262,665**	1,492,701,347
Foreign debtors	**(2,023,682,671)**	(863,064,976)
Gross balance sheet exposure	**461,579,994**	629,636,371
Off balance sheet items		
Outstanding letters of credit	**2,023,716,545**	1,334,145,287
Net exposure	**2,485,296,539**	1,963,781,658

The following significant exchange rate has been applied:

Average and spot rate

	Average rate		**Spot rate**	
	2017	2016	**2017**	2016
	- - - - - - - Rupees - - - - - -		**- - - - - - Rupees - - - - -**	
USD to Rupee	**104.90**	103.20	**104.80**	104.70

Sensitivity analysis:

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

	2017 Rupees	2016 Rupees
Effect on profit and loss		
USD to Rupee	**248,529,654**	196,378,166

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

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

Currency risk management

Since the maximum amount exposed to currency risk is only 6.91% (2016:6.34%) of the Company's total assets, any adverse / favorable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

37.5.2 Interest rate risk

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

	2017	2016	**2017**	2016
	Effective rate (in Percentage)		**Carrying amount (Rupees)**	
Financial Instruments				
a) Financial liabilities				
Fixed rate instruments:				
Long term loan	**2.50 - 3.75**	7.00 to 12.66	**1,538,759,714**	5,719,556
Variable rate instruments:				
Long term loan	**6.65 - 8.62**	7.00 to 12.66	**7,158,149,406**	7,443,501,993
Short term running finance	**6.13 - 7.35**	6.37 to 8.50	**5,030,883,994**	2,392,888,898
Export finances	**0.90 - 3.73**	0.90 to 3.86	**2,485,262,665**	1,492,701,347
b) Financial assets				
Variable rate instruments:				
Long term investments	**7.22 - 7.29**	7.24 to 8.00	**530,000,000**	530,000,000
Advance for issue of shares	**7.72 - 7.79**	7.24 to 8.00	**342,548,045**	70,000,000
Saving accounts	**2.87 - 6.19**	2.87 to 7.15	**19,709**	21,178

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss	
	100 bps Increase	100 bps Decrease
	- - - - - - - - Rupees - - - - - - - -	
As at June 30, 2017	**138,017,283**	**(138,017,283)**
As at June 30, 2016	107,290,711	(107,290,711)

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

<u>Interest rate risk management</u>

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

37.5.3 Other price risk

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

<u>Sensitivity analysis</u>

The table below summarizes the Company's equity price risk as of June 30, 2017 and 2016 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Company's equity investment portfolio.

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

	2016			
	Fair value	"Hypothetical price change"	Estimated fair value after hypothetical change in prices"	"Hypothetical increase (decrease) in profit or (loss) / equity"
	----------------------------Rupees-------------------------			
Financial assets at fair value through profit or loss	221,288,800	10% increase	243,417,680	22,128,880
		10% decrease	199,159,920	(22,128,880)
Financial assets at fair value at available for sale	2,138,017,412	10% increase	2,351,819,153	213,801,741
		10% decrease	1,924,215,671	(213,801,741)
	2,359,306,212			

37.5.4 Operational risk

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

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

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

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

38 Capital management

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

The Company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

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

Gearing ratio as at June 30, 2017 and as at June 30, 2016 are as follows:

	2017 Rupees	2016 Rupees
Total debt	**16,213,055,779**	11,334,811,794
Total equity including revaluation surplus	**15,509,222,486**	15,216,667,759
Total capital employed	**31,722,278,265**	26,551,479,553
Gearing	**51%**	43%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, commonly imposed by the providers of debt finance. Increase in gearing ratio is mainly due to long term loan facilities availed for capital expenditure during the year.

38.1 Financial instruments by categories

	Financial assets	
	2017 Rupees	2016 Rupees
Loans and receivables		
Long term deposits	**24,446,493**	24,446,493
Loan to Subsidiary Company	**530,000,000**	530,000,000
Trade debts	**4,243,040,569**	1,901,378,277
Loans and advances	**750,169,337**	1,433,588,257
Mark-up accrued	**46,240,903**	59,935,983
Other receivables	**250,066,647**	81,096,577
Bank balances	**105,955,140**	69,846,965
	5,949,919,089	4,100,292,552
Available for sale		
Long term investments	**4,165,874,439**	3,854,006,152
	4,165,874,439	3,854,006,152
Held for trading		
Short term investments	**219,658,800**	221,288,800
	219,658,800	221,288,800

	Financial liabilities at amortized cost	
	2017 Rupees	2016 Rupees
Long term finances - *secured*	**8,696,909,120**	7,449,221,549
Short term borrowings- *secured*	**7,516,146,659**	3,885,590,245
Trade and other payables	**1,561,621,177**	1,585,055,876
Accrued markup	**249,256,533**	247,808,813
	18,023,933,489	13,167,676,483

39 Remuneration of Chief Executive Officer, Directors, Non-Executive Directors and Executives

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

	2017					2016				
	Chief Executive Officer	**Non-Executive Directors**	**Executive Director**	**Executives**	**Total**	Chief Executive Officer	Non-Executive Directors	Executive Director	Executives	Total
	Rupees					Rupees				
Managerial remuneration	**4,741,512**	**9,635,811**	**4,741,512**	**57,686,096**	**76,804,931**	3,937,342	6,627,540	3,313,770	37,078,362	50,957,014
House rent and utilities	**1,439,327**	**2,856,065**	**1,185,384**	**11,537,219**	**17,017,995**	1,743,432	3,480,441	1,233,816	8,635,675	15,093,363
Medical	**135,893**	**-**	**-**	**5,768,610**	**5,904,503**	143,914	-	-	3,707,846	3,851,760
Conveyance / petrol	**-**	**-**	**-**	**48,500**	**48,500**	-	-	-	140,400	140,400
Insurance	**5,461**	**-**	**-**	**-**	**5,461**	5,447	-	-	-	5,447
	6,322,193	**12,491,876**	**5,926,896**	**75,040,425**	**99,781,390**	5,830,135	10,107,981	4,547,586	49,562,283	70,047,985
Numbers	**1**	**2**	**1**	**97**	**101**	1	2	1	64	68

39.1 In addition to above, only Non-Executive Directors were paid Rs. 0.15 million (2016: Rs. 0.12 million) as meeting fee.

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

39.3 These include Rs. 4.74 million (2016: Rs. 3.54 million) in respect of staff retirement benefits.

40 Number of employees

	2017	2016
	(Number)	
Total number of employees as at June 30,	**4,797**	4,915
Average number of employees during the year	**4,856**	5,209

41 Transactions with related parties

The related parties comprise subsidiary, associated undertakings and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 39. Other significant transactions with related parties are as follows:

Description of transaction	Nature of relationship	2017 Rupees	2016 Rupees
Fazal Rehman Fabrics Limited	Associate		
Sale of goods and services -*net*		**1,156,593,737**	1,362,880,410
Purchase of goods and services		**133,460,411**	29,675,357
Receipts against sale of goods and services -*net*		**947,457,506**	1,494,769,820
Freight and other charges incurred		**4,000**	1,017,485
Fatima Fertilizer Company Limited	Associate		
Dividend Income		**225,920,601**	187,687,825
Purchase / adjustment of goods and services -net		**5,598,811**	1,090,066
Fatima Energy Limited	Associate		
Purchase of shares		**-**	450,000,000
Advance for purchase of shares		**304,882,685**	-
Mark-up accrued on issue of shares		**5,468,658**	2,749,931
Purchase of goods and services		**990,016**	3,955,228
Payments against purchase of goods and services-net		**4,831,935**	-
Reliance Weaving Mills Limited	Associate		
Sale of goods and services		**26,052,614**	101,243,927
Purchase of goods and services		**5,979,733**	2,010,254
Receipts against sale of goods and services -*net*		**23,393,787**	98,162,678
Ahmed Fine Textile Mills Limited	Associate		
Sale of goods and services		**26,373,283**	1,053,400
Purchase of goods and services		**394,873,086**	492,998,781
Payments against purchase of goods and services - *net*		**374,195,704**	574,172,944
Freight and other charges incurred		**-**	3,959,057
Fazal-ur-Rehman Foundation, Multan	Associate		
Donations		**3,163,300**	4,290,000
Fazal Weaving Mills Limited	Subsidiary		
Sale of goods and services		**853,229,632**	33,733,237
Purchase of goods and services		**1,609,672,238**	1,105,169,053
Payments against purchase of goods and services - *net*		**44,287,731**	987,552,499
Mark-up / payment on loan -*net*		**21,424,631**	40,527,718
Hussain Ginneries Limited	Associate		
Expenses incurred on behalf of associate		**7,102,798**	7,217,065
Receipts against expenses		**6,188,500**	6,187,500
Fatima Transmission Company Limited	Associate		
Advance for purchase of shares		**11,761,200**	70,000,000
Mark-up accrued on advance for purchase of shares		**1,945,323**	4,438,555
Fatima Electric Company Limited	Associate		
Investment made		**70,000**	-
Pak Arab Energy Limited	Associate		
Advance for purchase of shares		**25,904,160**	-
Mark-up accrued on advance for purchase of shares		**315,570**	-

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

42 Capacity and production

Spinning:		**2017**	**2016**
Number of spindles installed		**192,696**	190,392
Number of rotors and VS spindles installed		**2,604**	2,220
Number of shifts worked			
Unit I, II & IV		**1,094**	1,098
Unit III		**1,094**	1,098
Number of spindles -*shifts worked*		**210,844,703**	209,050,416
Capacity at 20's count	Kgs.	**79,021,380**	78,086,425
Actual production of all counts	Kgs.	**65,226,050**	62,514,080
Actual production converted into 20's count	Kgs.	**78,806,224**	78,065,317
Weaving:			
Number of looms installed		**224**	224
Number of looms worked		**224**	224
Number of shifts worked		**1,094**	1,098
Standard cloth production	Sq. Mtr.	**47,063,507**	49,984,651
Actual cloth production	Sq. Mtr.	**43,576,101**	45,841,269

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

43 Non adjusting event after balance sheet date

The Board of Directors of the Company in their meeting held on October 05, 2017 has proposed a final cash dividend of Rs. 5.25 per share (2016: Rs. 2.5 per share) for the year ended June 30, 2017 held for approval of the members in the Annual General Meeting to be held on October 28, 2017. These financial statements do not include the effect of this proposed final cash dividend and will be accounted for subsequent to year end.

44 Date of authorization of financial statements

These financial statements were authorized for issue on October 05, 2017 by the board of directors of the Company.

45 General

Figures in the financial statements have been rounded-off to the nearest rupee except stated otherwise.

Sd/-	Sd/-	Sd/-
(SHEIKH NASEEM AHMAD)	**(REHMAN NASEEM)**	**(FAIZAN-UL-HAQ)**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

Fazal Cloth Mills Limited (The Group)

Financial Statements

for the year ended 30 June 2017

Directors Report

Directors of Fazal Cloth Mills Limited and its subsidiary company (the Group) are pleased to present annual report of the Group for the year ended 30 June 2017. The consolidated results comprise of financial statements of Fazal Cloth Mills Limited and Fazal Weaving Mills Limited. The holding Company has annexed its consolidated financial statements alonwith its separate financial statement in accordance with International Accounting Standard 27 (Consolidated and Separate Financial Statements). The Directors' Report, giving commentary on the performance of Fazal Cloth Mills Limited for the year ended June 30, 2017 has been presented separately. It also includes a brief description of the subsidiary company.

FINANCIAL PERFORMANCE

Financial performance of the Group improved during the current year inspite of cut throat competition and high operating costs. Profit after tax of the Company increased to Rupees 454.97 million in financial year 2016-17 from Rupees 133.09 million in financial year 2015-16 registering an increase of 241.85%. Increase in profit was a result of the Duty Drawbacks on Exports allowed by the Government of Pakistan on all exports since January 2017.

Financial Highlights	2017 Rupees in ('000')	2016 Rupees in ('000')	Increase / (decrease) % age
Sales - net	30,410,085	23,282,102	30.61%
Cost of sales	28,175,444	21,282,338	32.38%
Gross profit	2,234,641	1,999,764	11.74%
EBITDA	2,675,535	2,409,439	11.04%
Depreciation	912,387	913,931	(.16%)
Finance cost	1,054,503	1,094,329	(3.64%)
Other income	378,799	268,088	41.19%
Profit before tax	708,645	401,179	76.64%
Profit after tax	454,970	133,090	241.85%

FUTURE OUTLOOK

Increase in cotton production to 13 million bales is expected during the 2017-18 season. Prices for raw cotton are Rupees 6200/maund which is competitive compared to prevailing international cotton prices. Duty drawback of 4% on yarn and fabric is also expected to be continue during the year. Gas supply to the Group is available round the clock and SNGPL has started billing on a weighted average price of natural gas and RLNG resulting in lower costs per mmbtu. Several BMR projects of spinning and captive gas fired units of the Company will complete during the year resulting in lower costs of production. Due to these factors, your management is hopeful of achieving a better financial performance compared to last year.

For and on behalf of the Board

Dated: October 5, 2017

-Sd/-
(Rehman Naseem)
Chairman / Director

ڈائریکٹرز رپورٹ ممبران کیلئے

ڈائریکٹرز اپنی رپورٹ کمپنی اوراس کی subsidiary کی یکجا مالیاتی سٹیٹمنٹس برائے سال 30 جون 2017 پرپیش کرتے ہوئے مُسرت کا اظہار کرتے ہیں۔یکجا نتائج فضل کلاتھ ملزلمیٹڈ اوراس کی subsidiary فضل ویونگ ملزلمیٹڈ پر مشتمل ہیں۔ہولڈنگ کمپنی نے یکجا مالیاتی سٹیٹمنٹس اپنی انفرادی مالیاتی سٹیٹمنٹس کے ساتھ منسلک کی ہیں۔اور عالمی اکاؤنٹنگ معیار 27 کے مطابق تیار ہیں۔ہولڈنگ کمپنی اپنی subsidiary کمپنی میں سوفیصد حصص مالک ہے۔

مالیاتی نتائج

رواں سال گروپ کی مالیاتی کارکردگی سخت مقابلےاورزیادہ پیداواری لاگت کے باوجود بہتر رہی۔رواں سال گروپ کی منافع بعدازٹیکس 454.97 ملین روپے رہاجوپچھلے سال 133.09 ملین روپے تھالہٰذااضافہ %241.85 رہا۔منافع میں بہتری کی ایک وجہ جنوری 2017 سے برآمدات پرڈیوٹی کی واپسی تھی۔نمایاں مالیاتی اعداددرج ذیل ہیں۔

	2016	2017	اضافہ / کمی فی صد
	Rs.(000)	Rs.(000)	
فروختگی	23,282,102	30,410,085	30.61%
فروختگی کی لاگت	21,282,338	28,175,444	32.38%
گراس منافع	1,999,764	2,234,641	11.74%
فرسودگی اور مالیاتی اخراجات سے پہلے کا منافع	2,409,439	2,675,535	11.04%
فرسودگی	913,931	912,387	(.16%)
مالیاتی خرچہ	1,094,329	1,054,503	(3.64%)
دوسری آمدن	268,088	378,799	41.19%
منافع قبل اس ٹیکس	401,179	708,645	76.64%
منافع بعدازٹیکس	133,090	454,970	241.85%

مستقبل کے نقطہ نظر سے ٹیکسٹائل کا کاروبار

مالی سال 18-2017 میں کاٹن کی 13 ملین گانٹھ کی پیداوار متوقع ہے۔خام کپاس کی قیمت 6,200 روپے فی مانڈ ہے جو عالمی مارکیٹ میں کاٹن کی قیمت کے برابر ہے۔گورنمنٹ کی طرف سے کپڑے اوردھاگہ کی برآمد پرڈیوٹی کی واپسی متوقع طور پر اس سال بھی جاری رہے گی۔کمپنی کوگیس کی سپلائی تواتر سے جاری ہےاور SNGPL نے سوئی گیس کی اوسط قیمت پر بل کرنا شروع کردیا ہے۔دھاگہ کی پیداوار کے کئی یونٹس اس سال اپ گریڈ ہوجائیں گے جس کی وجہ سے پیداواری لاگت کم ہوجائے گی۔ مندرجہ بالا وجوہات کی بناپر انتظامیہ مستقبل میں بہتر مالیاتی کارکردگی کے لیے پُرامید ہے۔

بورڈ کی طرف سے

رحمان نسیم

چیئرمین/ڈائریکٹر

Auditors' Report to the Members on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Fazal Cloth Mills Limited ("the Holding Company")** and its subsidiary Company as at 30 June 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary Company as at 30 June 2017 and the results of their operations for the year then ended.

Sd/-

Lahore

Date: October 05, 2017

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Consolidated Balance Sheet

	Note	**2017 Rupees**	2016 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**20,982,732,578**	19,894,245,707
Intangible assets	*5*	**642,225**	824,175
Long term advances and investments	*6*	**3,872,437,148**	3,585,386,581
Long term deposits		**24,446,493**	24,446,493
		24,880,258,444	23,504,902,956
Current assets			
Stores, spares and loose tools	*7*	**626,485,047**	470,164,152
Stock-in-trade	*8*	**7,579,999,590**	6,218,623,311
Trade debts	*9*	**4,619,059,328**	2,140,698,115
Loans and advances	*10*	**197,595,026**	160,723,103
Trade deposits and short term prepayments	*11*	**6,682,417**	1,628,075
Mark-up accrued	*12*	**27,137,816**	19,408,265
Other receivables and deposits	*13*	**309,284,068**	81,096,577
Short term investments	*14*	**219,658,800**	221,288,800
Tax refunds due from government		**1,062,978,019**	656,625,409
Cash and bank balances	*15*	**143,354,044**	209,689,213
		14,792,234,155	10,179,945,020
		39,672,492,599	33,684,847,976

The annexed notes from 1 to 47 form an integral part of these financial statements.

Sd/-	**Sd/-**
(SHEIKH NASEEM AHMAD)	**(REHMAN NASEEM)**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**

As at June 30, 2017

	Note	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital		**700,000,000**	700,000,000
Issued, subscribed and paid-up capital	*16*	**300,000,000**	300,000,000
Capital reserves	*17*	**1,606,703,247**	1,622,451,755
Unappropriated profits		**7,420,558,491**	6,833,013,573
		9,327,261,738	8,755,465,328
Surplus on revaluation of fixed assets - ***net of tax***	*18*	**6,507,472,663**	6,721,191,519
Non-current liabilities			
Long term financing -*secured*	*19*	**7,439,660,754**	6,048,606,436
Long term musharika -*secured*	*20*	**889,679,269**	1,235,301,919
Deferred liabilities :			
- *Staff gratuity*	*21*	**214,614,337**	218,740,982
- *Deferred taxation*	*21*	**2,056,716,653**	1,943,356,018
		10,600,671,013	9,446,005,355
Current liabilities			
Trade and other payables	*22*	**2,022,377,306**	2,012,382,138
Accrued profit / interest / mark-up	*23*	**280,002,402**	279,109,806
Short term borrowings - *secured*	*24*	**8,940,727,933**	4,451,122,476
Current portion of non-current liabilities	*25*	**1,993,979,544**	2,019,571,354
		13,237,087,185	8,762,185,774
Contingencies and commitments	*26*		
		39,672,492,599	33,684,847,976

Sd/-
(FAIZAN-UL-HAQ)
CHIEF FINANCIAL OFFICER

Consolidated Profit and Loss Account

For the year ended June 30, 2017

	Note	**2017 Rupees**	2016 Rupees
Sales - *net*	*27*	**30,410,084,808**	23,282,101,512
Cost of sales	*28*	**(28,175,443,688)**	(21,282,337,922)
Gross profit		**2,234,641,120**	1,999,763,590
Selling and distribution expenses	*29*	**(506,264,265)**	(435,711,694)
Administrative expenses	*30*	**(274,425,133)**	(256,557,925)
Other expenses	*31*	**(45,482,340)**	(84,346,750)
		(826,171,738)	(776,616,369)
Other income	*32*	**378,799,048**	286,218,955
Profit from operations		**1,787,268,430**	1,509,366,176
Share of loss from associates - *net of tax*	*33*	**(24,121,009)**	(13,858,304)
Finance cost	*34*	**(1,054,502,575)**	(1,094,329,265)
Profit before taxation		**708,644,846**	401,178,607
Taxation	*35*	**(253,674,622)**	(268,088,392)
Profit after taxation		**454,970,224**	133,090,215
Attributable to:			
Equity holders of the Holding Company		**454,970,224**	133,090,215
Earnings per share - *basic and diluted*	*36*	**15.17**	4.44

The annexed notes from 1 to 47 form an integral part of these financial statements.

Sd/- (SHEIKH NASEEM AHMAD) CHIEF EXECUTIVE OFFICER	Sd/- (REHMAN NASEEM) DIRECTOR	Sd/- (FAIZAN-UL-HAQ) CHIEF FINANCIAL OFFICER

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2017

	2017 Rupees	2016 Rupees
Profit after taxation	**454,970,224**	133,090,215
Other comprehensive income - net of tax		
Items that will never be reclassified to profit and loss:		
Remeasurement of defined benefit liability	**(6,542,814)**	25,885,574
Related tax impact	**1,165,363**	(4,807,967)
	(5,377,451)	21,077,607
Share of profit / (loss) of associates - *net of tax*	**(766,711)**	(109,626)
Items that are or may be reclassified subsequently to profit and loss:		
Net change in fair value of available for sale financial assets	**(15,748,508)**	(323,159,379)
Total comprehensive income / (loss) for the year	**433,077,554**	(169,101,183)
Attributable to:		
Equity holders of the Holding Company	**433,077,554**	(169,101,183)

Surplus on revaluation of fixed assets - net of tax is presented under separate head below equity in accordance with the requirements of section 235 of the repealed Companies Ordinance, 1984.

The annexed notes from 1 to 47 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
(SHEIKH NASEEM AHMAD)	**(REHMAN NASEEM)**	**(FAIZAN-UL-HAQ)**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

Consolidated Cash Flow Statement

For the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
Cash flows from operating activities			
Profit before taxation		**708,644,846**	401,178,607
Adjustments for:			
Depreciation of property, plant and equipment	4.3	**912,386,644**	913,931,409
Amortization of intangible assets		**181,950**	181,950
Unrealized loss on re-measurement of investments		**1,630,000**	33,447,600
Provision for gratuity	21.1.2	**94,688,411**	109,743,884
Provision for infrastructure cess		**81,875,201**	30,759,320
Gain on disposal of property, plant and equipment	32	**(11,419,630)**	(2,015,547)
Workers' Welfare Fund		**(124,867,986)**	9,508,563
Gain on disposal of investment	32	**-**	(83,233,325)
Share of loss from associates	33	**24,121,009**	13,858,304
Dividend receivable written off	31	**-**	3,868,592
Dividend income	32	**(225,920,601)**	(191,556,417)
Finance cost		**1,054,502,575**	1,008,057,321
Cash generated from operations before working capital changes		**2,515,822,419**	2,247,730,261
Effect on cash flows due to working capital changes			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		**(156,320,895)**	(41,477,227)
Stock-in-trade		**(1,361,376,279)**	(785,055,735)
Trade debts		**(2,478,361,213)**	1,907,919,188
Loans and advances		**(36,871,923)**	(79,586,761)
Trade deposits and short term prepayments		**(5,054,342)**	5,757,394
Other receivables and deposits		**(228,187,491)**	49,060,310
		(4,266,172,143)	1,056,617,169
(Decrease) / increase in current liabilities			
Trade and other payables		**48,214,097**	71,242,554
Cash (used in) / generated from operations		**(1,702,135,627)**	3,375,589,984
Gratuity paid to employees		**(105,357,870)**	(85,598,800)
Long term deposits		**-**	(1,639,002)
Taxes paid		**(545,501,234)**	(216,857,410)
Finance cost paid -*net*		**(1,061,339,530)**	(1,076,580,924)
		(1,712,198,634)	(1,380,676,136)
Net cash (used in) / generated from operating activities		**(3,414,334,261)**	1,994,913,848
Cash flows from investing activities			
Capital expenditure incurred		**(2,008,815,042)**	(912,323,047)
Proceeds from sale of property, plant and equipment		**19,361,157**	8,962,352
Investment in associate		**(70,000)**	-
Advance against investment in associate		**(327,616,795)**	(70,000,000)
Proceeds from sale of investment		**-**	374,087,695
Dividend received		**225,920,601**	191,556,417
Net cash used in investing activities		**(2,091,220,079)**	(407,716,583)
Cash flows from financing activities			
Long term financing obtained		**3,429,363,417**	1,220,286,674
Long term financing repaid		**(2,182,650,910)**	(1,530,555,028)
Long term musharika obtained		**-**	1,250,000,000
Long term musharika repaid		**(226,872,650)**	(81,561,325)
Short term borrowings - *net*		**4,489,605,457**	(2,264,152,485)
Cash dividend paid		**(70,226,144)**	(148,754,229)
Net cash generated from / (used in) financing activities		**5,439,219,170**	(1,554,736,393)
Net (decrease) / increase in cash and cash equivalents		**(66,335,170)**	32,460,872
Cash and cash equivalents at the beginning of the year		**209,689,213**	177,228,341
Cash and cash equivalents at the end of the year	15	**143,354,043**	209,689,213

The annexed notes from 1 to 47 form an integral part of these financial statements.

Sd/-	**Sd/-**	**Sd/-**
(SHEIKH NASEEM AHMAD)	**(REHMAN NASEEM)**	**(FAIZAN-UL-HAQ)**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

Consolidated Statement of Changes in Equity

For the year ended June 30, 2017

	Share capital	Capital reserves			Revenue reserve	
	Ordinary shares	Share premium	Capital redemption reserve	Fair value reserve - available for sale financial assets	Un-appropriated profits	Total
	Rupees					
Balance as at July 01, 2015	300,000,000	77,616,000	175,000,000	1,692,995,134	6,459,764,305	8,705,375,439
Total comprehensive income						
Profit for the year	-	-	-	-	133,090,215	133,090,215
Other comprehensive income / (loss)		-	-	(323,159,379)	20,967,981	(302,191,398)
	-	-	-	(323,159,379)	154,058,196	(169,101,183)
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax*	-	-	-	-	369,032,264	369,032,264
Transfer from surplus on revaluation of fixed assets on disposal - *net of tax*	-	-	-	-	158,808	158,808
Transactions with the owners of the Group:						
Cash dividend @ Rs.5 per share	-	-	-	-	(150,000,000)	(150,000,000)
Balance as at June 30, 2016	**300,000,000**	**77,616,000**	**175,000,000**	**1,369,835,755**	**6,833,013,573**	**8,755,465,328**
Total comprehensive income						
Profit for the year	-	-	-	-	454,970,224	454,970,224
Other comprehensive loss	-	-	-	(15,748,508)	(6,144,162)	(21,892,670)
	-	-	-	(15,748,508)	448,826,062	433,077,554
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax*	-	-	-	-	213,108,348	213,108,348
Transfer from surplus on revaluation of fixed assets on disposal - *net of tax*	-	-	-	-	610,508	610,508
Transactions with the owners of the Group:						
Cash dividend @ Rs. 2.5 per share	-	-	-	-	(75,000,000)	(75,000,000)
Balance as at June 30, 2017	**300,000,000**	**77,616,000**	**175,000,000**	**1,354,087,247**	**7,420,558,491**	**9,327,261,738**

The annexed notes from 1 to 47 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
(SHEIKH NASEEM AHMAD)	**(REHMAN NASEEM)**	**(FAIZAN-UL-HAQ)**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

Notes to the Consolidated financial statements

For the year ended June 30, 2017

1 Reporting entity

The Group comprises of	Shareholding	Nature
- Fazal Cloth Mills Limited ("the Holding Company"); and		
- Fazal Weaving Mills Limited ("the Subsidiary Company").	100%	Spinning and Weaving

Associates

- Fatima Energy Limited ("FEL")	24.24%	Energy Generation
- Fatima Transmission Company Limited ("FTCL")	24.00%	Transmission of Energy
- Fatima Electric Company Limited	20.00%	Energy Generation

1.1 The Holding Company was incorporated in Pakistan in 1966 as a Public Limited Company under the Companies Act, 1913 (now the repealed Companies Ordinance, 1984). The shares of the Company are quoted on Pakistan Stock Exchange ("PSX"). The registered office of the Holding Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Holding Company is engaged in manufacture and sale of yarn and fabric. The manufacturing facilities are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

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

2 Basis of preparation

2.1 Consolidated financial statements

These Consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended June 30, 2017 and the audited financial statements of the Subsidiary Company for the year ended June 30, 2017. Details regarding the financial information of associates used in the preparation of these consolidated financial statements are given in note 6 to these consolidated financial statements.

2.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of repealed Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board and Islamic Financial Reporting Standards ("IFAS") issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the repealed Companies Ordinance, 1984. Wherever, the requirements of the repealed Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the repealed Companies Ordinance, 1984 or the requirement of the said directives shall prevail.

The Companies Act, 2017 was enacted on May 30, 2017 and is applicable with immediate effect. The Securities and Exchange Commission of Pakistan through press release and vide circular no. 17 of 2017 dated July 20, 2017 has decided that all the companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017, shall prepare their financial statements, including interim financial statements, in accordance with the provisions of the Repealed Companies Ordinance, 1984. The new requirements of the Companies Act, 2017 shall be applicable to the companies having their financial year closure after June 30, 2017.

2.3 New Companies Act, 2017 and new and revised approved accounting standards, interpretations and amendments thereto:

2.3.1 The Companies Act, 2017 applicable for financial year ending after July 01, 2017 requires certain additional disclosures and Section 235 of the Repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with requirements of IAS 16 - Property, plant and equipment. The effect of the change is disclosed in note 18 to these financial statements.

2.3.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2016:

– Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 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 an impact on Group's financial statements.

– Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on Group's financial statements.

– Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Group's financial statements.

– Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Group's financial statements. Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after January 01, 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Group's financial statements.

– Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

  - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginningon or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Group's financial statements

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

  - IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Group's financial statements.

  - IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on Group's financial statements.

The above amendments are not likely to have any impact on these financial statements.

2.4 Basis of measurement

These Consolidated financial statements have been prepared under the historical cost convention, except

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

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

2.5 Functional and presentation currency

These Consolidated financial statements are presented in Pak Rupees ("Rs."), which is the Group's functional and presentation currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

2.6 Use of estimates and judgments

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

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

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

Property, plant and equipment

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

Revaluation of property, plant and equipment

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

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

Intangible assets

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

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

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

Provision for doubtful debts, advances and other receivables

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

Recoverable amount of assets / cash generating units and impairment

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

Contingencies

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

Employee benefits

The Group operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The projected unit credit method used for the valuation of the scheme is based on assumptions stated in note 21.1.

Taxation

In making the estimates for income taxes currently payable by the Group, the management looks at the current Income Tax Laws and the decisions of Appellate Authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Group's future taxable profits are taken into account.

3 Significant accounting policies

The significant accounting policies set out below have been consistently applied to all the years presented, unless otherwise stated.

3.1 Property, plant and equipment

Owned

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold-land, which is measured at revalued amount, factory building, non-factory building and plant and machinery electric fittings and installations, sui gas installations, tools, laboratory equipment and arms and fire extinguishing equipment and scales which are measured at revalued amount less accumulated depreciation. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on Revaluation of fixed assets'. A decrease in the carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation account relating to a previous revaluation of that asset. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and other costs directly attributable to the acquisition or construction including expenditures on material, labour and overheads directly relating to construction, erection and installation of operating fixed assets.

Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Group, at the rates specified in note 4.1. Depreciation on additions is charged full in the month of the asset is available for use and nil in the month the asset is disposed of.

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

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

The assets' residual values and useful lives are continually reviewed by the Group and adjusted if impact on depreciation is significant. The Group's estimate of residual values of property, plant and equipment as at June 30, 2017 has not required any adjustment as its impact is considered insignificant.

Capital work-in-progress

Capital work in progress is stated at cost less identified impairment loss, if any. Cost includes the expenditures on material, labour, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets as stated in note 3.6. These costs are transferred to operating fixed assets as and when assets are available for their intended use.

3.2 Surplus / (deficit) arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is recognized on balance sheet after reversing deficit relating to the same item previously recognized in profit and loss, if any. Deficit arising on revaluation is recognized in profit and loss after reversing the surplus relating to the same item previously recognized on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profits every year.

Surplus on revaluation is booked by restating gross carrying amounts of respective assets being revalued, proportionately to the change in their carrying amounts due to revaluation. The accumulated depreciation at the date of revaluation is also adjusted to equal difference between gross carrying amounts and the carrying amounts of the assets after taking into account accumulated impairment losses.

Further the surplus on revaluation of property, plant and equipment shall be utilized in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984.

3.3 Lease

Operating lease

Financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss account on a straight-linebasis over the lease term unless another systematic basis is representative of the time pattern of the Group's benefit.9

3.4 Impairment

Financial Asset

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectivelyin groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

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

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

Non-financial assets

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

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

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

3.5 Borrowing cost

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

3.6 Taxation

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

Current

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

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

Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, the Group recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

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

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

3.7 Foreign currency

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary items that are based on historical cost in a foreign currency are not translated. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Foreign currency differences are recognised in profit and loss account currently.

3.8 Staff retirement benefits

The Group operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The projected unit credit method used for the valuation of the scheme is based on assumptions stated in note 21.1.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount. The calculation of defined benefit obligationis performed annually by a qualified actuary using the projected unit credit method.

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

3.9 Provisions

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

3.10 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.11 Financial instruments

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

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

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

3.12 Settlement date accounting

All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by the Group. Regular way purchases or sales of financial assets are those contracts which requires delivery of assets within the time frame generally established by regulation or convention in the market.

3.13 Financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies financial liabilities recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Creditors relating to trade and other payables are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Financial liabilities comprise long term finances and deposits, liabilities against assets subject to finance lease, trade and other payables, accrued mark-up, short term borrowings and provision for taxation.

3.14 Investments

3.14.1 Available-for-sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available-for-sale. After initial recognition, these are stated at fair values (except for unquoted investments where active market does not exist) with any resulting gains and losses which are charged to other comprehensive income, until the investment is disposed or impaired. At the time of disposal, the respective surplus or deficit is transferred to income. Fair value of quoted investments is their bid price at the balance sheet date.

Unquoted investments, where active market does not exist, are carried at cost and tested for impairment at each year end. Impairment loss, if any, is charged to profit and loss account.

3.14.2 Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value, unless fair value cannot be reliably measured. Unrealized gains and losses arising from the changes in the fair value are directly recognized in equity in the period in which they arise. Cumulative gains and losses arising from changes in fair value are included in net profit or loss for the period in which an investment is derecognized.

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

3.14.3 Investments at fair value through profit or loss

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

3.15 Basis of consolidation

a) ***<u>Business combinations</u>***

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

i) the fair value of the consideration transferred; plus

ii) the recognized amount of any non-controlling interests in the acquiree; plus

iii) if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

iv) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future service.

b) ***Non-controlling interest***

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

i) at fair value; or

ii) at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

c) ***Subsidiaries***

Subsidiariesare entities controlled by the Group. The financial statements of subsidiariesare includedin the consolidated financial statements from the date that control commences until the date that control ceases.

d) ***Loss of control***

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. The Group transfers the revaluation surplus directly to retained earnings when it loses control of the subsidiary. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

e) ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

f) ***Associates***

Entities in which the Group has significant influence but not control and which are neither subsidiaries nor joint ventures of the members of the Group are associates and are accounted for under the equity method of accounting (equity accounted investees).

These investments are initially recognized at cost. The consolidated financial statements include the associates' share of profit or loss and movements in other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases. Share of post acquisition profit and loss of associates is recognized in the profit and loss account. Distributions received from associates reduce the carrying amount of investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment (including any long-term interests that, in substance, form part of the Group's net investment in the associate) is reduced to nil and the recognition of further losses is discontinued.

The carrying amount of investments in associates is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to profit and loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of the investments. A reversal of impairment loss is recognized in the profit and loss account. The impairment loss is recognised to a maximum of nill value of the investment.

3.16 Intangibles

3.16.1 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the merged subsidiaries at the dates of acquisition. Goodwill recognized is tested annually for impairment and carried at cost less accumulated impairment losses.

3.16.2 Computer software

Expenditure incurred to acquire computer software is capitalized as intangible asset and stated at cost less accumulated amortization and any identified impairment loss. The estimated useful life and amortization method is reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are amortized using straight-line method over a period of five years. Amortization on additions to intangible assets is charged from the date when an asset is put to use and on disposal up to the date of disposal.

3.17 Stores, spares and loose tools

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

3.18 Stock-in-trade

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

Cost has been determined as follows:

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

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

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

3.19 Revenue recognition

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

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

3.20 Loan and receivables

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

Long term advances and deposits

At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition these are measured at amortised cost using the effective interest rate method less impairment loss, if any. A provision for impairment of long term loan is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of advance.

Trade debts

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

3.21 Cash and cash equivalents

For the purpose of cash flow, cash and cash equivalents mainly comprise cash and bank balances which are stated in the balance sheet at cost.

3.22 Off setting of financial instruments

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

3.23 Operating segment

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

3.24 Earnings per share

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

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

3.25 Dividend distribution

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

3.26 Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Group. Operating profit excludes other income, other expenses, finance costs and income taxes.

4	Property, plant and equipment	Note	2017 Rupees	2016 Rupees
	Operating fixed assets	*4.1*	**20,567,185,772**	19,666,758,299
	Capital work-in-progress -*at cost*	*4.2*	**415,546,806**	227,487,408
			20,982,732,578	19,894,245,707

4.1 Operating fixed assets

	Cost / revalued amount						Depreciation					Net book value
	As at July 01, 2016	Revaluation surplus	Additions / Transfers	Disposals	As at June 30, 2017	Rate %	As at July 01, 2016	Revaluation surplus	For the year	Disposals	As at June 30, 2017	as at June 30, 2017
	Rupees						Rupees					
Freehold land												
- *cost*	468,328,504	-	353,212	-	468,681,716		-	-	-	-	-	468,681,716
- *surplus on revaluation*	1,536,028,392	-	-	-	1,536,028,392	-	-	-	-	-	-	1,536,028,392
	2,004,356,896	-	353,212	-	2,004,710,108			-	-	-	-	2,004,710,108
Factory building												
- *cost*	1,790,566,980	-	5,440,156	-	1,796,007,136		425,682,486	-	68,051,417	-	493,733,903	1,302,273,233
- *surplus on revaluation*	2,489,837,102	-	-	-	2,489,837,102	5	855,267,542	-	81,728,479	-	936,996,021	1,552,841,081
	4,280,404,082	-	5,440,156	-	4,285,844,238		1,280,950,028	-	149,779,896	-	1,430,729,924	2,855,114,314
Non-factory building												
- *cost*	723,116,136	-	24,507,978	-	747,624,114		145,242,390	-	29,377,635	-	174,620,025	573,004,089
- *surplus on revaluation*	2,746,437,290	-	-	-	2,746,437,290	5	771,465,263	-	98,748,603	-	870,213,866	1,876,223,424
	3,469,553,426	-	24,507,978	-	3,494,061,404		916,707,653	-	128,126,238	-	1,044,833,891	2,449,227,513
Plant and machinery												
- *cost*	12,111,680,762	-	1,720,170,820	(13,914,830)	13,817,936,752		3,450,000,668	-	447,009,529	(8,722,681)	3,888,287,516	9,929,649,236
- *surplus on revaluation*	3,743,586,463	-	-	(1,275,469)	3,742,310,994	5	1,441,853,346	-	115,073,485	(532,656)	1,556,394,175	2,185,916,819
	15,855,267,225	-	1,720,170,820	(15,190,299)	17,560,247,746		4,891,854,014	-	562,083,014	(9,255,337)	5,444,681,691	12,115,566,055
Electric fittings and installations												
- *cost*	689,296,974	-	30,702,429	(442,792)	719,556,611		158,837,227	-	26,775,230	(112,565)	185,499,892	534,056,719
- *surplus on revaluation*	528,945,098	-	-	-	528,945,098	5	177,669,383	-	17,563,785	-	195,233,168	333,711,930
	1,218,242,072	-	30,702,429	(442,792)	1,248,501,709		336,506,610	-	44,339,015	(112,565)	380,733,060	867,768,649
Sui gas installations												
- *cost*	14,020,862	-	-	-	14,020,862		6,686,882	-	366,699	-	7,053,581	6,967,281
- *surplus on revaluation*	8,478,502	-	-	-	8,478,502	5	4,089,873	-	219,431	-	4,309,304	4,169,198
	22,499,364	-	-	-	22,499,364		10,776,755	-	586,130	-	11,362,885	11,136,479
Tools, laboratory equipment and arms												
- *cost*	54,719,500	-	18,997,333	-	73,716,833		26,805,724	-	1,554,347	-	28,360,071	45,356,762
- *surplus on revaluation*	171,318,343	-	-	-	171,318,343	5	90,017,748	-	4,060,029	-	94,077,777	77,240,566
	226,037,843	-	18,997,333	-	245,035,176		116,823,472	-	5,614,376	-	122,437,848	122,597,328
Office equipments	43,486,465	-	4,993,101	(1,957,082)	46,522,484	10	18,146,598	-	2,620,876	(770,800)	19,996,674	26,525,810
Fire extinguishing equipment and scales												
- *cost*	14,651,810	-	36,000	-	14,687,810		6,246,847	-	424,032	-	6,670,879	8,016,931
- *surplus on revaluation*	34,925,690	-	-	-	34,925,690	5	15,235,086	-	983,780	-	16,218,866	18,706,824
	49,577,500	-	36,000	-	49,613,500		21,481,933	-	1,407,812	-	22,889,745	26,723,755
Furniture and fittings	22,793,319	-	3,162,920	-	25,956,239	10	9,838,079	-	1,361,269	-	11,199,348	14,756,891
Vehicles	174,974,776	-	12,391,695	(2,026,020)	185,340,451	20	97,349,526	-	16,468,018	(1,535,963)	112,281,581	73,058,870
2017	27,367,192,968	-	1,820,755,644	(19,616,193)	29,168,332,419		7,700,434,669	-	912,386,644	(11,674,665)	8,601,146,648	20,567,185,772

Operating fixed assets

	Cost / revalued amount						Depreciation					Net book value
	As at July 01, 2015	Revaluation surplus	Additions / Transfers	Disposals	As at June 30, 2016	Rate %	As at July 01, 2015	Revaluation surplus	For the year	Disposals	As at June 30, 2016	as at June 30, 2016
	Rupees						Rupees					
Freehold land												
- *cost*	459,553,885	-	8,774,619	-	468,328,504		-	-	-	-	-	468,328,504
- *surplus on revaluation*	1,536,028,392	-	-	-	1,536,028,392	-	-	-	-	-	-	1,536,028,392
	1,995,582,277	-	8,774,619	-	2,004,356,896		-	-	-	-	-	2,004,356,896
Factory building												
- *cost*	1,607,095,212	-	183,471,768	-	1,790,566,980		359,807,868	-	65,874,618	-	425,682,486	1,364,884,494
- *surplus on revaluation*	2,489,837,102	-	-	-	2,489,837,102	5	769,237,565	-	86,029,977	-	855,267,542	1,634,569,560
	4,096,932,314	-	183,471,768	-	4,280,404,082		1,129,045,433	-	151,904,595	-	1,280,950,028	2,999,454,054
Non-factory building												
- *cost*	665,785,210	-	57,330,926	-	723,116,136		117,454,945	-	27,787,445	-	145,242,390	577,873,746
- *surplus on revaluation*	2,746,437,290	-	-	-	2,746,437,290	5	667,519,367	-	103,945,896	-	771,465,263	1,974,972,027
	3,412,222,500	-	57,330,926	-	3,469,553,426		784,974,312	-	131,733,341	-	916,707,653	2,552,845,773
Plant and machinery												
- *cost*	11,332,937,752	-	781,089,378	(2,346,368)	12,111,680,762		3,019,469,624	-	431,905,428	(1,374,384)	3,450,000,668	8,661,680,094
- *surplus on revaluation*	3,743,792,331	-	-	(205,868)	3,743,586,463	5	1,320,541,711	-	121,322,470	(10,835)	1,441,853,346	2,301,733,117
	15,076,730,083	-	781,089,378	(2,552,236)	15,855,267,225		4,340,011,335	-	553,227,898	(1,385,219)	4,891,854,014	10,963,413,211
Electric fittings and installations												
- *cost*	641,120,101	-	48,176,873	-	689,296,974		131,869,523	-	26,967,704	-	158,837,227	530,459,747
- *surplus on revaluation*	528,945,098	-	-	-	528,945,098	5	159,181,187	-	18,488,196	-	177,669,383	351,275,715
	1,170,065,199	-	48,176,873	-	1,218,242,072		291,050,710	-	45,455,900	-	336,506,610	881,735,462
Sui gas installations												
- *cost*	14,020,862	-	-	-	14,020,862		6,300,884	-	385,998	-	6,686,882	7,333,980
- *surplus on revaluation*	8,478,502	-	-	-	8,478,502	5	3,858,892	-	230,981	-	4,089,873	4,388,629
	22,499,364	-	-	-	22,499,364		10,159,776	-	616,979	-	10,776,755	11,722,609
Tools, laboratory equipment and arms												
- *cost*	54,171,894	-	547,606	-	54,719,500		25,350,243	-	1,455,481	-	26,805,724	27,913,776
- *surplus on revaluation*	171,318,343	-	-	-	171,318,343	5	85,744,033	-	4,273,715	-	90,017,748	81,300,595
	225,490,237	-	547,606	-	226,037,843		111,094,276	-	5,729,196	-	116,823,472	109,214,371
Office equipments	38,813,753	-	5,639,168	(966,456)	43,486,465	10	15,994,501	-	2,555,912	(403,815)	18,146,598	25,339,867
Fire extinguishing equipment and scales												
- *cost*	14,202,110	-	449,700	-	14,651,810		5,773,431	-	473,416	-	6,246,847	8,404,963
- *surplus on revaluation*	34,925,690	-	-	-	34,925,690	5	14,199,528	-	1,035,558	-	15,235,086	19,690,604
	49,127,800	-	449,700	-	49,577,500		19,972,959	-	1,508,974	-	21,481,933	28,095,567
Furniture and fittings	21,939,831	-	853,488	-	22,793,319	10	8,449,085	-	1,388,994	-	9,838,079	12,955,240
Vehicles	182,200,486	-	6,701,880	(13,927,590)	174,974,776	20	86,250,350	-	19,809,620	(8,710,444)	97,349,526	77,625,250
2016	26,291,603,844	-	1,093,035,406	(17,446,282)	27,367,192,968		6,797,002,737	-	913,931,409	(10,499,477)	7,700,434,669	19,666,758,299

	Note	2017 Rupees	2016 Rupees
4.2 Capital work-in-progress - *at cost*			
Opening balance		**227,487,408**	396,588,728
Additions during the year		**2,008,815,042**	120,575,144
Transfers during the year		**(1,820,755,644)**	(289,676,464)
Closing balance		**415,546,806**	227,487,408

4.2.1 Breakup of closing balance of capital work-in-progress - *cost*:

	Note	2017 Rupees	2016 Rupees
Factory buildings			
Material and expenses		**154,455,632**	101,834,825
Advance payments		**109,535,237**	53,651,290
		263,990,869	155,486,115
Non-factory buildings			
Material and expenses		**114,675,777**	62,458,798
Advance payments		**-**	1,480,962
		114,675,777	63,939,760
Plant and machinery			
Cost and expenses		**614,295**	6,646,724
Advance payments		**9,172,340**	-
Letters of credit		**23,158,945**	1,414,809
		32,945,580	8,061,533
Furniture and fixtures			
Cost and expenses		**1,752,419**	-
Advance payments		**797,161**	-
		2,549,580	-
Office equipment			
Advance payments		**8,000**	-
Electric fittings and Installations			
Advance payments		**1,377,000**	-
		415,546,806	227,487,408

4.3 Depreciation is allocated as under:

	Note	2017 Rupees	2016 Rupees
Cost of sales	*28*	**891,930,406**	890,170,489
Administrative expenses	*30*	**20,456,238**	23,760,920
		912,386,644	913,931,409

4.4 **The following assets were disposed off during the year**

	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds / Insurance claim	Gain / (loss)	Mode of disposal	Particulars
	------------	------------	Rupees	------------	------------		
Plant and machinery							
Gas Genset	**15,190,299**	**9,255,338**	**5,934,961**	**16,617,000**	**10,682,039**	Insurance Claim	Adamjee Insurance Company Ltd
Electric fittings and installations							
Cabinet A/C 4 Ton	103,448	19,158	84,290	81,250	(3,040)	Insurance Claim	Adamjee Insurance Company Ltd
Cabinet A/C 4 Ton	100,431	10,791	89,640	81,250	(8,390)	Insurance Claim	Adamjee Insurance Company Ltd
A.C Split Type 2 Ton	69,000	16,940	52,060	42,000	(10,060)	Insurance Claim	Adamjee Insurance Company Ltd
Air Conditioner 4 Ton	99,913	34,181	65,732	88,000	22,268	Insurance Claim	Adamjee Insurance Company Ltd
Air Conditioner 1.5 Ton	63,500	12,383	51,117	42,000	(9,117)	Insurance Claim	Adamjee Insurance Company Ltd
	436,292	**93,453**	**342,839**	**334,500**	**(8,339)**		
Vehicles							
Daihatsu Core 9633	419,991	393,489	26,502	186,647	160,145	Negotiation	Manzoor Ahmed Power House Manager
Honda City Mn-11-3754	1,529,029	1,067,662	461,367	740,000	278,633	Negotiation	Mr. Farooq Khan S/O Ghaus Deen
Honda Motorcycle	77,000	74,812	2,188	40,000	37,812	Insurance Claim	Adamjee Insurance Company Ltd
	2,026,020	**1,535,963**	**490,057**	**966,647**	**476,590**		
Office equipments							
Laptop HP Envy 15-124tx	87,600	21,877	65,723	56,900	(8,823)	Insurance Claim	Adamjee Insurance Company Ltd
Hand Geometry System Attendance Machine	272,280	68,267	204,013	316,000	111,987	Insurance Claim	Adamjee Insurance Company Ltd
Laptop Dell Inspiron N5010-2 No.	110,000	48,758	61,242	71,500	10,258	Insurance Claim	Adamjee Insurance Company Ltd
Ricoh Aficio-Mp-5000 Digital Photocopier	146,250	44,965	101,285	98,000	(3,285)	Insurance Claim	Adamjee Insurance Company Ltd
Apple Laptop Macbook	131,200	5,412	125,788	94,875	(30,913)	Insurance Claim	Adamjee Insurance Company Ltd
	747,330	**189,279**	**558,051**	**637,275**	**79,224**		
Assets having net book value of assets less than Rs. 50,000	**1,216,252**	**600,633**	**615,619**	**805,735**	**190,116**	Insurance Claim	Adamjee Insurance Company Ltd
2017	**19,616,193**	**11,674,666**	**7,941,527**	**19,361,157**	**11,419,630**		
2016	17,446,282	10,499,477	6,946,805	8,962,352	2,015,546		

		Note	2017 Rupees	2016 Rupees
5	**Intangibles**			
	ERP software and license	*5.1*	**136,464**	318,414
	Goodwill	*5.2*	**505,761**	505,761
			642,225	824,175

5.1 ERP software and license

	Rupees
Cost:	
Balance as at July 01, 2015	**11,424,321**
Additions	**-**
Balance as at June 30, 2016	**11,424,321**
Balance as at July 01, 2016	**11,424,321**
Additions	**-**
Balance as at June 30, 2017	**11,424,321**
Amortisation:	
As at 30 June	
Balance as at July 01, 2015	**10,923,957**
Amortization for the year	**181,950**
Balance as at June 30, 2016	**11,105,907**
Balance as at July 01, 2016	**11,105,907**
Amortization for the year	**181,950**
Balance as at June 30, 2017	**11,287,857**
Amortisation rate per annum (%)	**20%**
Carrying amount	
At June 30, 2017	**136,464**
At June 30, 2016	318,414

5.2 Goodwill

	2017	2016
Balance as at June 30,	**505,761**	505,761

5.2.1 Annual test for impairment

During the year, the Group assessed the recoverable amount of goodwill associated with the acquisition of the Subsidiary Company, by determining the value in use. The value in use exceeds the carrying value and hence no impairment is deemed to exist. The management believes that any reasonably possible change to the key assumptions on which the calculation of value in use is based would not cause the carrying amount to exceed the recoverable amount.

		Note	2017 Rupees	2016 Rupees
6	**Long term advances and investments**			
	Long term advances	*6.1*		
	Fatima Energy Limited		**304,882,685**	-
	Pakarab Energy Limited		**25,904,160**	-
	Fatima Transmission Company Limited		**11,761,200**	70,000,000
			342,548,045	70,000,000
	Long term investments			
	Associated Companies (with significant influence) - at Equity Method			
	Fatima Energy Limited - *unquoted* 137,421,349 (2016: 137,421,349) fully paid ordinary shares of Rupees 10 each. Equity held 24.24% (2016: 24.24%)		**1,374,213,490**	1,374,213,490
	Share of post acquisition loss	*6.3*	**(33,634,442)**	(18,488,321)
	Effect of other adjustment	*6.3*	**(7,827,488)**	-
			1,332,751,560	1,355,725,169
	Fatima Transmission Company Limited - *unquoted* 5,520,000 (2016: 13,125) fully paid ordinary shares of Rupees 10 each. Equity held 24% (2016: 37.5%)		**55,200,000**	131,250
	Share of post acquisition loss	*6.4*	**(2,045,361)**	(131,250)
			53,154,639	-
	Fatima Electric Company Limited 7,000 (2016: Nil) fully paid ordinary shares of Rs. 10 each. Equity held 20.00% (2016: Nil)		**70,000**	-
	Associated Companies (others)			
	Fatima Fertilizer Company Limited - *quoted* 62,994,031(2016: 62,994,031)fully paid ordinary shares of Rupees 10 each. Equity held 3.00% (2016: 3.00%)		**2,122,268,904**	2,138,017,412
	Multan Real Estate (Private) Limited - *unquoted* 216,440 (2016: 216,440) fully paid ordinary shares of Rupees 100 each. Equity held 9.96% (2016: 9.96%)		**21,644,000**	21,644,000
			3,872,437,148	3,585,386,581

6.1 This represents long term advances given to associates for purchase of shares. Provisions of section 208 of the Repealed Companies Ordinance, 1984 have been fully complied with in this regard.

6.2 During the year advance amounting to Rs. 55.07 million (2016: Rs. 0.131 million) has been converted into 5.51 million (2016: 0.01 million) ordinary shares of FTCL, associated company. Provisions of section 208 of the Repealed Companies Ordinance, 1984 have been fully complied with in this regard.

		2017	2016
6.3	**Share of post acquisition loss - FEL**	**Rupees**	Rupees
	Balance as at July 01,	**(18,488,321)**	(4,651,641)
	Share of loss	**(14,379,410)**	(20,401,684)
	Effect of other adjustment	**(7,827,488)**	-
	Share of other comprehensive loss	**(766,711)**	(109,626)
	Dilution gain	-	6,674,630
	Balance as at June 30,	**(41,461,930)**	(18,488,321)
6.4	**Share of post acquisition loss - FTCL**		
	Balance as at July 01,	**(131,250)**	-
	Share of loss	**(728,709)**	(131,250)
	Dilution loss	**(1,185,402)**	-
	Balance as at June 30,	**(2,045,361)**	(131,250)

Summarised financial information in respect of associated companies is set out below:

	2017	
	FEL	**FTCL**
	Rupees	**Rupees**
Assets	**27,278,546,000**	**757,694,903**
Liabilities	**21,780,396,000**	**536,217,242**
Equity	**5,498,150,000**	**221,477,661**
Loss after tax for the year	**(59,321,000)**	**(3,036,287)**

	2016	
	FEL	FTCL
	Rupees	
Assets	23,865,288,000	699,565,523
Liabilities	18,304,654,000	575,802,601
Equity	5,560,634,000	123,762,922
Loss after tax for the year	(46,946,000)	(5,178,821)

6.5 Investments of the Group in associated companies has been accounted for under equity method of accounting based on its audited financial statements for the year ended at June 30, 2017.

6.6 Summarised financial information in respect of associated company on the basis of financial statements for the year ended 30 June 2017 and 2016 are set out below:

	FEL	
	2017	2016
	------------- Rupees -------------	
Non current assets	**24,603,292,000**	21,497,404,000
Current assets	**2,675,254,000**	2,367,884,000
Non current liabilites	**(15,832,522,000)**	(16,482,694,000)
Current liabilities	**(5,947,874,000)**	(1,821,960,000)
Net assets - 100%	**5,498,150,000**	5,560,634,000
Percentage ownership interest	**24.24%**	24.24%
Group's share of net assets	**1,332,751,560**	1,347,897,682
Effect of restatement	-	-
Carrying amount of interest in associated company	**1,332,751,560**	1,347,897,682
Loss for the year from operations	**59,321,000**	(46,489,000)
Group's share of loss - post acquisition	**(14,379,410)**	(20,401,684)

Summarised financial information in respect of associated company on the basis of financial statements for the year ended 30 June 2017 and 2016 are set out below:

	FTCL	
	2017	2016
	------------- **Rupees** -------------	
Non current assets	**756,612,392**	698,761,517
Current assets	**1,082,511**	804,006
Non current liabilites	**(421,052,632)**	-
Current liabilities	**(115,164,610)**	(575,802,601)
Share deposit money	**-**	(128,898,984)
Net assets - 100%	**221,477,661**	(5,136,062)
Percentage ownership interest	**24.00%**	37.50%
Group's share of net assets	**53,154,639**	(1,926,023)
Carrying amount of interest in associated company *	**53,154,639**	-
Loss for the year from operations	**(3,036,287)**	(307,261)
Group's share of loss - post acquisition	**(728,709)**	(131,250)

* Carrying amount of interest in associated company cannot be negative and therefore restricted to Nil in the year 2016.

6.7 FEL was incorporated during the year and the Holding Company made investment in its shares. FEL has not yet commenced its operations till balance sheet date and further there are insignificant transactions in FEL till June 30, 2017. Resultantly, share of profit / (loss), being considered immaterial, has not been incorporated in these financial statements.

6.8 Summarised financial information in respect of subsidiary company on the basis of financial statements for the year ended June 30, 2017.

	Fazal Weaving Mills Limited	
	2017	2016
Non current assets	**3,136,839,797**	3,230,375,142
Current assets	**1,867,970,981**	1,679,213,335
Current liabilities	**2,465,096,412**	2,216,875,610
Non current liabilites	**1,922,100,924**	2,165,509,974
Net assets - 100%	**9,392,008,114**	9,291,974,061
Revenue	**6,298,408,589**	3,742,908,806
Profit for the year from operations	**355,408,886**	176,537,496
Cash flows from		
- operating activity	**(659,165,972)**	745,777,238
- investing activity	**(69,243,859)**	(800,510,502)
- financing activity	**631,201,331**	171,494,850
Net (decrease) / increase in cash and cash equivalents	**(97,208,500)**	116,761,586

	Note	**2017**	2016
	Note	**Rupees**	Rupees
7 Stores, spares and loose tools			
Stores	*7.1*	**172,596,278**	153,788,517
Spares		**454,947,529**	317,120,000
Loose tools		**711,556**	1,025,951
		628,255,363	471,934,468
Less: Provision for slow moving items		**(1,770,316)**	(1,770,316)
		626,485,047	470,164,152

7.1 This includes stores in transit of Rs. 68.01 million (2016: Rs. 33.64 million).

			2017	2016
8	**Stock-in-trade**	*Note*	**Rupees**	Rupees
	Raw material	*8.1*	**5,163,805,460**	3,325,655,766
	Work-in-process		**310,982,823**	278,621,424
			5,474,788,283	3,604,277,190
	Finished goods			
	Yarn		**1,687,403,807**	2,278,345,379
	Fabric		**417,807,500**	336,000,743
			2,105,211,307	2,614,346,122
			7,579,999,590	6,218,623,311

8.1 This includes raw material in transit of Rs. 455.40 million (2016: Rs. 295.69 million).

			2017	2016
9	**Trade debts**	*Note*	**Rupees**	Rupees
	Export - *secured against letters of credit*		**2,241,365,975**	968,903,297
	Local - *unsecured, considered good*	*9.1*	**2,377,693,353**	1,171,794,818
			4,619,059,328	2,140,698,115

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

	2017	2016
	Rupees	Rupees
Fazal Rehman Fabrics Limited	**170,961,236**	83,715,854
Ahmad Fine Textile Mills Limited	**4,036,691**	-
Reliance Weaving Mills Limited	**3,471,221**	8,713,955
	178,404,006	92,429,809

9.2 As at 30 June 2017, trade debts due from related parties of Rs. 107.16 million (2016: Rs. 46.43 million) were past due but not impaired. The ageing analysis of these trade debts is as follows:

	2017	2016
	Rupees	Rupees
1 to 30 days	**73,037,135**	29,873,345
30 to 150 days	**31,825,977**	15,509,731
150 days and above	**2,294,712**	1,052,189
	107,157,825	46,435,265

9.3 As at 30 June 2017, trade debts due from other than related parties of Rs. 399.32 million (2016: Rs. 372.72 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 history of these trade debts is as follows:

	2017	2016
	Rupees	Rupees
1 to 30 days	**257,404,950**	183,627,654
30 to 150 days	**55,961,787**	89,612,293
150 days and above	**85,956,042**	74,481,131
	399,322,779	347,721,078

			2017	2016
10	**Loans and advances**	*Note*	**Rupees**	Rupees
	Advances to suppliers and contractors		**153,779,837**	129,600,693
	Advances to:			
	- Executives against salaries -*secured*	*10.1*	**150,000**	813,605
	- Other employees against salaries -*secured*		**11,312,092**	6,423,413
	Letters of credit		**32,353,097**	23,885,392
			197,595,026	160,723,103

10.1 Maximum aggregate amount due from executives at any month end during the year was Rs. 1.5 million (2016: Rs. 1.5 million).

		2017	2016
11	**Trade deposits and short term prepayments**	**Rupees**	Rupees
	Deposits	**6,437,920**	1,383,577
	Prepayments	**244,497**	244,498
		6,682,417	1,628,075

12 It represents mark-up accrued on advances given against issue of shares to FEL, FTCL& PEL at weighted average borrowing cost of the Holding Company. During the year mark-up wascharged at the rates ranging from 7.72% to 7.79% per annum (2016: 7.74% to 8.49% per annum)

		2017	2016
13	**Other receivables and deposits**	**Rupees**	Rupees
	Insurance claim receivable	**22,260,097**	1,096,577
	Guarantee margin	**80,000,000**	80,000,000
	Duty drawback on exports	**207,023,971**	-
		309,284,068	81,096,577

14	**Short term investments -** ***held for trading***			
	Associated company due to common directorship			
	Fatima Fertilizer Company Limited -*quoted* 6,520,000 (2016: 6,520,000) fully paid ordinary shares of Rs. 10 each. Equity held 0.31% (2016: 0.31%)		**219,658,800**	221,288,800
			219,658,800	221,288,800
15	**Cash and bank balances**			
	Cash in hand		**15,463,035**	23,237,879
	Cash at banks			
	- *Current accounts*		**127,871,300**	186,430,156
	- *Saving accounts*	*15.1*	**19,709**	21,178
			127,891,009	186,451,334
			143,354,044	209,689,213

15.1 Rate of interest and mark up on saving accounts ranges from 2.87% to 6.19% (2016: 2.87% to 7.15%) per annum.

16 Issued, subscribed and paid-up capital

2017	2016		2017	2016
------(Number of shares)------			Rupees	Rupees
1,000,000	1,000,000	Ordinary shares of Rs.10 each fully paid in cash	**10,000,000**	10,000,000
9,187,200	9,187,200	Ordinary shares of Rs.10 each fully paid as right shares	**91,872,000**	91,872,000
19,812,800	19,812,800	Ordinary shares of Rs.10 each issued as bonus shares	**198,128,000**	198,128,000
30,000,000	30,000,000		**300,000,000**	300,000,000

16.1 As at the balance sheet date, ordinary shares held by associated companies, undertakings and related parties are as follows:

	2017	2016	2017	2016
	------(Number of shares)-------		---(Percentage of holding)---	
Fazal Holdings (Private) Limited Formerly Amir Fine Exports (Private) Limited	**7,346,541**	7,346,541	**24.49**	24.49
Reliance Commodities (Private) Limited	**500**	1,177,347	**-**	3.92
Mr. Amir Naseem Sheikh	**82,828**	82,828	**0.28**	0.28
Mrs. Farrukh Mukhtar	**-**	5,651,494	**-**	18.84
Mr. Fawad Ahmed Mukhtar	**2,415,422**	2,415,422	**8.05**	8.05
Mrs. Ambreen Fawad	**-**	-	**-**	-
Mr. Sheikh Naseem Ahmad	**8,820**	8,820	**0.03**	0.03
Mr. Rehman Naseem	**3,101,320**	3,101,320	**10.34**	10.34
Mr. Fazal Ahmed Sheikh	**2,041,611**	2,041,611	**6.80**	6.80
Mr. Faisal Ahmed Mukhtar	**2,039,865**	2,039,865	**6.80**	6.80
Mr. Fahad Mukhtar	**579,715**	44,720	**1.93**	0.15
Mrs. Mahnaz Amir Sheikh	**4,447**	4,447	**0.01**	0.01
Mr. Abdullah Amir Fazal	**1,421,639**	-	**4.74**	-
Mr. Muhammad Yousaf Amir	**1,421,638**	-	**4.74**	-
Mr. Muhammad Fazeel Mukhtar s/o Faisal Ahmed	**675,895**	-	**2.25**	-
Mr. Ibrahim Mukhtar s/o Faisal Ahmed	**675,895**	-	**2.25**	-
Mr. Mohid Muhammad Ahmed s/o Faisal Ahmed	**675,895**	-	**2.25**	-
Mr. Muhammad Mukhtar Sheikh s/o Fazal Ahmed	**1,012,969**	-	**3.38**	-
Mr. Asad Muhammad Sheikh S/o Fazal Ahmed	**1,012,970**	-	**3.38**	-
Mr. Ali Mukhtar S/o Fawad Ahmed	**536,207**	-	**1.79**	-
Mr. Abbas Mukhtar S/o Fawad Ahmed	**536,206**	-	**1.79**	-
Fatima Holding Limited	**1,176,847**	-	**3.92**	-

	Note	2017 Rupees	2016 Rupees
17 Capital reserves			
Share premium			
Issue of 3,168,000 ordinary shares of Rs. 10 each @ premium of Rs. 20 per share issued during the year 2001		**63,360,000**	63,360,000
Issue of 2,851,200 ordinary shares of Rs. 10 each @ Rs. 5 per share issued during the year 2002		**14,256,000**	14,256,000
	17.1	**77,616,000**	77,616,000
Capital redemption reserve	*17.2*	**175,000,000**	175,000,000
Fair value reserve	*17.3*	**1,354,087,247**	1,369,835,755
		1,606,703,247	1,622,451,755

17.1 The share premium reserve can be utilized by the Holding Company only for the purposes specified in section 83(2) of the Repealed Companies Ordinance, 1984.

17.2 This represents capital redemption reserve created for the purpose of redemption of preference shares.

17.3 This represents surplus on market value of investments classified as available for sale financial assets.

		2017	2016
18	**Surplus on revaluation of fixed assets -** ***net of tax***	**Rupees**	Rupees
	Gross surplus		
	Surplus on revaluation of fixed assets as at July 01,	**7,903,958,639**	8,239,480,465
	Less:		
	Effect of disposal of fixed assets	**(742,813)**	(195,033)
	Transferred to accumulated profits in respect of incremental depreciation charge for the year	**(318,377,592)**	(335,326,793)
		(319,120,405)	(335,521,826)
	At end of the year	**7,584,838,234**	7,903,958,639

Deferred tax liability on revaluation surplus

	2017	2016
At beginning of the year	**1,182,767,120**	1,149,097,874
Effect of disposal of fixed assets	**(132,305)**	(36,225)
Incremental depreciation charged on related assets	**(105,269,244)**	33,705,471
	1,077,365,571	1,182,767,120
	6,507,472,663	6,721,191,519

18.1 ***The Holding Company***

Property, plant and equipment of the Holding Company except vehicles, office equipment and furniture and fittings were previously revalued on June 30, 2007 and March 31, 2012 by independent valuers resulting insurplus of Rs. 2,915 million and Rs. 2,028 million respectively. Recent revaluation has been carried out by Joseph Lobo (Private) Limited, an independent valuer not connected with the Holding Company and approved by Pakistan Banks' Association (PBA) in "any amount" category at March 31, 2015 which resulted in the additional surplus of Rs. 4,116.19 million. The basis of revaluation for items of these fixed assets were as follows:

The Subsidiary Company

During the last year property, plant and equipment of the Subsidiary Company except vehicles, office equipment and furniture and fittings were revalued by Harvester Services (Private) Limited, an independent valuer not connected with the Subsidiary Company and approved by Pakistan Banks' Association (PBA) in "any amount" category at September 30, 2014 which resulted in the additional surplus of Rs. 281.68 million.

Basis of revaluation

The basis of revaluation for items of fixed assets of the Group were as follows:

Freehold land

Examined the land features, access roads and noted the general security environment prevailing in the area. Independent inquirieswere made from local active realtors and other real estate sources to ascertain the selling prices for the properties of the same nature.

Buildings on freehold land

Examined the construction features and measured each of the built areas involved. Applied prevailing market rates to the construction taking into account the stringent finishes required in the spinning industry. Furthermore, general condition and versatility of the buildings were also considered.

Plant and machinery and others

Plant and machinery and others have been evaluated / assessed by inspecting items of plant and machinery and others. Supplier invoices were not sighted however, Fixed Asset Registers ("FAR") as at December 31, 2014 and August 31, 2014 were examined and compared the asset inspected against the FAR of the HoldingCompany and the Subsidiary Company respectively. Furthermore, the valuer also consulted industry related dealers to ascertain the likely demand locally in the region. US Dollar has been used as the primary denomination where possible.

As discussed in note 2.3.1 to these financial statements, the Companies Act, 2017 is applicable for financial year ending after June 30, 2017 which will result in reclassification of surplus on revaluation of fixed assets as part of shareholders' equity.

19 Long term financing - *secured*

	Note	2017 Rupees	2016 Rupees
Long Term Financing	*19.1*	**9,088,017,648**	7,841,305,140
Less: Current portion grouped under current liabilities	*25*	**1,648,356,894**	1,792,698,704
		7,439,660,754	6,048,606,436

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of Installments	Security
	-----Rupees-----				
19.1 Banking Companies:					
Askari Bank Limited					
- Term finance - TF-VII	**-**	9,131,343	6 Months KIBOR + 1.25%	Twelve equal half yearly installments of principal amount ended on September 26, 2016.	1st joint pari passu charge / mortgage of Rs.723.50 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Term finance -TF- VIII	**-**	20,773,869	6 Months KIBOR + 1.50%	Twelve equal half yearly installments of principal amount ending on December 23, 2017. However this loan was fully repaid during the year	
- Term finance -TF	**400,000,000**	400,000,000	6 Months KIBOR + 1.00%	Twelve equal half yearly installments of principal amount ending on February 19, 2024.	
- Term finance	**14,259,610**	14,259,610	6 Months KIBOR + 1.00%	Twelve equal half yearly installments of principal amount ending on November 09, 2023.	1st joint pari passu charge/mortgage of Rs.333.334 million on all present and future fixed assets of the Subsidiary Company and personal guarantees of the sponsoring directors.
- Term finance under LTFF Scheme	**185,740,390**	185,740,390	SBP rate + 1.00%	Last installment is due on January 13, 2024.	
	600,000,000	629,905,212			

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of Installments	Security
	-----Rupees-----				
Soneri Bank Limited					
- Term finance -TF	**5,555,554**	16,666,666	3 Months KIBOR + 1.00%	Nine equal half yearly installments of principal amount ending on October 19, 2017.	1st joint pari passu charge / mortgage of Rs. 1,250.00 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Term finance -TF	**74,927,045**	104,927,045	3 Months KIBOR + 1.00%	Ten equal half yearly installments of principal amount ending on December 11, 2019.	
- Term finance -TF	**175,000,000**	245,000,000	3 Months KIBOR + 1.00%	Ten equal half yearly installments of principal amount ending on August 27, 2019.	
- Term finance -TF	**280,000,000**	360,000,000	3 Months KIBOR + 1.00%	Twenty equal quarterly installments of principal amount ending on October 13, 2020.	
	535,482,599	**726,593,711**			
Faysal Bank Limited					
- Term finance -TF	**60,000,000**	100,000,000	6 Months KIBOR + 1.00%	Ten equal half yearly installments of principal amount ending on July 20, 2018.	1st joint pari passu charge / mortgage of Rs. 694.00 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Term finance -TF	**71,273,952**	118,791,252	6 Months KIBOR + 1.00%	Ten equal half yearly installments of principal amount ending on October 04, 2018.	
- Term finance -TF	**37,285,492**	59,768,189	6 Months KIBOR + 1.00%	Ten equal half yearly installments of principal amount ending on January 02, 2019.	
- Term finance -TF	**100,000,000**	140,000,000	6 Months KIBOR + 1.00%	Ten equal half yearly installments of principal amount ending on December 07, 2019.	
	268,559,444	418,559,441			

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of Installments	Security
	-----Rupees-----				
Habib Bank Limited					
- Term finance -TF	-	7,361,062	6 Months KIBOR + 1.25%	Twelve equal half yearly installments of principal amount ending on June 22, 2021. However this loan was fully repaid during the year.	1st joint pari passu charge / mortgage of Rs.214.00 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Demand finance	**72,636,626**	-	6 Months KIBOR + 0.50%	Sixteen equal half yearly installments of principal amount ending on March 29, 2027.	1st joint pari passu charge / mortgage of Rs.214.00 million over all present and future fixed assets, ranking charge of Rs.431 million over plant and machinery of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Demand finance under LTFF Scheme	**131,220,785**	-	SBP rate + 0.50%	Sixteen equal half yearly installments of principal amount ending on March 29, 2027.	
	203,857,411	7,361,062			
National Bank of Pakistan					
- Demand finance - III	-	5,601,213	6 Months KIBOR + 2.00%	Ten equal half yearly installments of principal amount ended on December 02, 2016.	1st joint pari passu charge / mortgage of Rs.2,150.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Demand finance - VI	**28,866,880**	57,733,762	6 Months KIBOR + 2.00%	Ten equal half yearly installments of principal amount ending on March 23, 2018.	
- Demand finance - VII	**259,776,201**	325,234,206	6 Months KIBOR + 1.25%	Twenty four equal quarterly installments of principal amount ending on December 03, 2021.	
- Demand finance - VII under LTFF Scheme	**130,406,514**	-	SBP rate + 1.25%	Twenty four equal quarterly installments of principal amount ending on December 03, 2021.	
	419,049,595	388,569,181			

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of Installments	Security
	-----Rupees-----				
United Bank Limited					
- Demand Finance	**100,000,000**	140,000,000	3 Months KIBOR + 1.00%	Ten equal half yearly installments of principal amount ending on September 03, 2019.	1st joint pari passu charge / mortgage of Rs. 1,880.00 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company.
- Demand Finance-II under LTFF Scheme	**796,927,367**	-	SBP rate + 0.50%	Sixteen equal half yearly installments of principal amount ending on June 30, 2026.	
- Demand Finance-III	**300,000,000**	-	6 Months KIBOR + 1.10%	Eight equal half yearly installments of principal amount ending on November 30, 2022.	
- Term loan	**4,543,004**	5,451,604	6 Months KIBOR + 1.00%	Twelve equal half yearly installments of principal amount ending on June 04, 2022.	1st joint pari passu charge of Rs.266.67 million over the fixed assets of the Subsidiary Company, personal guarantees of the key directors and corporate guarantee of the Holding Company.
- Term loan under LTFF Scheme	**170,316,274**	185,799,570	SBP rate + 1.00%	Twelve equal half yearly installments of principal amount ending on June 04, 2022.	
	1,371,786,645	331,251,174			
MCB Bank Limited					
- Demand finance	**166,654,900**	296,921,669	6 Months KIBOR + 0.70%	Last installmentis fallingdue on November 28, 2018.	1st joint pari passu charge / mortgage of Rs. 800.00 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company.
- Demand finance	**412,499,250**	504,165,750	6 Months KIBOR + 1.25%	Twelve equal half yearly installments of principal amount ending on December 29, 2021.	1st joint pari passu charge / mortgage of Rs. 800.00 million on all present and future fixed assets of the Subsidiary Company and personal guarantees of sponsoring directors of the Holding Company.
	579,154,150	801,087,419			

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of Installments	Security
	----- Rupees -----				
Allied Bank Limited					
- Term loan- 2	**15,883,311**	57,266,520	6 Months KIBOR + 0.90%	Ten equal half yearly installments of principal amount ending on December 13, 2017.	1st joint pari passu charge / mortgage of Rs. 2,640.00 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company.
- Term loan- 3	**24,874,233**	76,422,428	6 Months KIBOR + 0.90%	Ten equal half yearly installments of principal amount ending on November 23, 2017.	
- Term loan- 4	**186,527,935**	312,999,995	6 Months KIBOR + 0.90%	Ten equal half yearly installments of principal amount ending on December 08, 2018.	
- Term loan- 5	**145,620,792**	182,025,990	6 Months KIBOR + 0.90%	Twelve equal half yearly installments of principal amount ended on February 26, 2021.	
- Term loan-6	**374,999,999**	458,333,333	6 Months KIBOR + 0.90%	Twelve equal half yearly installments of principal amount ended on August 06, 2021.	
- Term loan-7 / LTFF	**442,627,983**	-	6 Months KIBOR + 0.65% SBP rate + 0.50%	Sixteen equal half yearly installments of principal amount ending on March 02, 2027.	
- Term finance	**525,000,001**	641,666,667	6 Months KIBOR + 1.05%	Twelve equal half yearly installments of principal amount ended on October 08, 2021.	1st joint parry passu charge / mortgage of Rs.1333.334 million over all present and future fixed assets of the Subsidiary Company, personal guarantees of sponsoring directors and corporate guarantee of the Holding Company.
- Term finance	**150,000,000**	150,000,000	6 Months KIBOR + 1.25%	Twelve equal half yearly installments of principal amount ended on October 12, 2023.	
- Term finance under LTFF Scheme	**150,000,000**	150,000,000	SBP rate + 1.25%	Twelve equal half yearly installments of principal amount ended on October 12, 2023.	
	2,015,534,254	**2,028,714,933**			

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of Installments	Security
	----- Rupees -----				
Pak Kuwait Investment Company (Private) Limited					
- Term finance	-	30,000,000	6 Months KIBOR + 2.25%	Ten equal half yearly installments of principal amount ended on October 28, 2016.	1st joint pari passu charge/mortgage of Rs.667.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Term finance - 2	-	260,000,000	6 Months KIBOR + 1.50%	Eight equal half yearly installments of principal amount ended on March 30, 2020. However this loan was fully repaid during the year	
	-	290,000,000			
Pak Brunei Investment Company Limited					
- Term finance	**83,328,382**	116,659,716	3 Months KIBOR + 0.80%	Twelve equal half yearly installments of principal amount ending on November 02, 2019.	1st joint pari passu charge / mortgage of Rs.534.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors.
- Term finance	**25,000,000**	75,000,000	3 Months KIBOR + 0.80%	Eight equal half yearly installments of principal amount ended on September 18, 2017.	
- Term finance	**250,000,000**	-	3 Months KIBOR + 0.90%	Eight equal half yearly installments of principal amount ended on January 23, 2022.	
	358,328,382	191,659,716			
Pak Oman Investment Company Limited					
- Term finance	**187,500,000**	237,500,000	6 Months KIBOR + 0.90%	Twenty equal quarterly installments of principal amount ending on March 25, 2021.	1st joint pari passu charge / mortgage of Rs.467.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors.
- Term finance	**350,000,000**	-	3 Months KIBOR + 0.90%	Twenty equal quarterly installments of principal amount ending on September 23, 2023.	
	537,500,000	237,500,000			
Bank Al Falah Limited					
- Term finance	-	227,500,000	6 Months KIBOR + 1.25%	Ten equal half yearly installments of principal amount ending on December 03, 2019. However this loan was fully repaid during the year	1st joint pari passu charge/mortgage of Rs.434.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors.
NIB Bank Limited					
- Term finance	**560,000,000**	720,000,000	3 Months KIBOR + 0.60%	Ten equal half yearly installments of principal amount ending on October 31, 2020.	1st joint pari passu charge/mortgage of Rs1,067.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors.

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of Installments	Security
	----- Rupees -----				
The Bank of Khyber					
- Term finance	**244,067,708**	313,801,340	6 Months KIBOR + 0.75%	Ten equal half yearly installments of principal amount ending on July 25, 2020.	1st joint pari passu charge/mortgage of Rs.867.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors.
- Demand Finance II	**262,500,000**	300,000,000	6 Months KIBOR + 0.75%	Eight equal half yearly installments of principal amount ending on October 13, 2020.	
	506,567,708	613,801,340			
The Bank of Punjab					
- Term finance	**187,201,595**	228,801,951	6 Months KIBOR + 0.85%	Twelve equal half yearly installments of principal amount ending on September 30, 2021.	1st joint pari passu charge/mortgage of Rs.334.000 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors.
- Term finance	**14,790,818**	-	6 Months KIBOR + 0.75%	Sixteen equal half yearly installments of principal amount ending on December 05, 2026.	1st joint pari passu charge/mortgage of Rs.334.00 million on all present and future fixed assets, ranking charge of Rs.764.00 million on plant and machinery of the Holding Company and personal guarantees of the sponsoring directors.
- Term finance - under LTFF Scheme	**480,205,048**	-	SBP rate + 0.50%	Sixteen equal half yearly installments of principal amount ending on December 05, 2026.	
	682,197,461	228,801,951			
Standard Chartered Bank (Pakistan) Ltd					
- Term finance	**450,000,000**	-	6 Months KIBOR + 1.00%	Eight equal half yearly installments of principal amount ending on October 06, 2021.	1st joint pari passu charge/mortgage of Rs.1,600.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors.
	9,088,017,648	**7,841,305,140**			

20. Long term musharika - *secured*

	2017 Rupees	2016 Rupees
Long Term Musharika	**1,235,301,919**	1,462,174,569
Less: Current portion grouped under current liabilities	**345,622,650**	226,872,650
	889,679,269	1,235,301,919

Lender	2017	2016	Rate Of Mark Up Per Annum	Number Of Installments	Security
Meezan Bank Limited					
- Diminishing Musharika -II	**25,000,000**	75,000,000	6 Months KIBOR + 0.90%	Ten equal half yearly installments of principal amount ended on November 24, 2017.	Exclusive charge of Rs.334.00 million over machinery imported through Meezan Bank Ltd and personal guarantees of the sponsoring directors of the Holding Company.
- Diminishing Musharika -III	**90,000,000**	120,000,000	6 Months KIBOR + 0.90%	Ten equal half yearly installments of principal amount ended on January 30, 2020.	Exclusive charge of Rs.200.00 million over machinery imported through Meezan Bank Ltd and personal guarantees of the sponsoring directors of the Holding Company.
- Diminishing Musharika	**14,051,919**	17,174,569	6 Months KIBOR + 1.00%	Twelve equal half yearly installments of principal amount ending on October 30, 2021.	1st joint parri passu charge / mortgage of Rs. 93.334 million on all present and future fixed assets of the Subsidiary Company, personal guarantees of sponsoring directors and corporate guarantee of the Holding Company.
	129,051,919	212,174,569			
Dubai Islamic Bank Pakistan Limited					
- Diminishing Musharika	**450,000,000**	500,000,000	6 Months KIBOR + 1.00%	Ten equal half yearly installments of principal amount ended on October 08, 2021.	1st joint pari passu charge / mortgage of Rs.666.67 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors.
Standard Chartered Bank (Pakistan) Limited					
- Diminishing Musharika	**656,250,000**	750,000,000	6 Months KIBOR + 1.00%	Eight equal half yearly installments of principal amount ended on August 26, 2020.	1st joint pari passu charge / mortgage of Rs.1,600.00 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors.
	1,235,301,919	**1,462,174,569**			

		Note	2017 Rupees	2016 Rupees
21	**Deferred liabilities**			
	Staff gratuity	*21.1*	**214,614,337**	218,740,982
	Deferred taxation	*21.2*	**2,056,716,653**	1,943,356,018
			2,271,330,990	2,162,097,000

21.1 Staff gratuity

The latest actuarial valuation of the Group's defined benefit plan, was conducted at June 30, 2017 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

	Note	2017 Rupees	2016 Rupees
21.1.1 The amounts recognized in the balance sheet are as follows:			
Liability at end of the year	*21.1.5*	**214,614,337**	218,740,982
21.1.2 The amounts recognized in the profit and loss account against defined benefit plan are as follows:			
Current service cost		**82,648,912**	92,419,882
Interest cost		**12,039,499**	17,324,002
Charge to profit and loss		**94,688,411**	109,743,884
21.1.3 Included in other comprehensive income			
Remeasurement of defined benefit obligation from:			
Actuarial (gains) / losses from changes in financial assumptions		**4,639,949**	(1,940,715)
Experience adjustment on obligation		**1,902,865**	(23,944,859)
Charge to other comprehensive income		**6,542,814**	(25,885,574)
21.1.4 Movement in the liability recognized in the balance sheet is as follows:			
Liability at beginning of the year		**218,740,982**	220,481,472
Charge for the year	*21.1.2*	**94,688,411**	109,743,884
Actuarial loss charged to OCI	*21.1.3*	**6,542,814**	(25,885,574)
Benefits paid during the year		**(105,357,870)**	(85,598,800)
Liability at end of the year		**214,614,337**	218,740,982
21.1.5 Movement in the present value of defined benefit obligation is as follows:			
Present value of defined benefit obligation at beginning of the year		**218,740,982**	220,481,472
Current service cost		**82,648,912**	92,419,882
Interest cost		**12,039,499**	17,324,002
Benefits paid		**(105,357,870)**	(85,598,800)
Actuarial loss		**6,542,814**	(25,885,574)
Present value of defined benefit obligation at end of the year		**214,614,337**	218,740,982

21.1.6 Actuarial assumptions:

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

	2017	2016
Discount rate used for Interest Cost in P&L Charge	**7.25%**	9.25%
Discount rate used for year end obligation	**7.75%**	7.25%
Expected rate of growth per annum in future salaries	**6.75%**	6.25%
Mortality Rates	**SLIC 2001 - 2005 Setback 1 Year**	SLIC 2001 - 2005 Setback 1 Year
Retirement assumption	**Age 60**	Age 60

21.1.7 Sensitivity analysis

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

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
	Percentage	**Rupees**	
Discount rate	1.0%	201,724,424	229,542,466
Salary growth rate	1.0%	230,240,715	200,847,985

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Historical Information:

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

	2017	2016	2015	2014	2013
	Rupees				
Present value of defined benefit obligation	**214,614,337**	218,740,982	220,481,472	159,336,498	130,453,221
Experience adjustment	**6,542,814**	(25,885,574)	15,300,588	1,470,301	31,517,909

21.1.8 The Plan exposes the Group to the actuarial risks such as:

Salary risks

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

Demographic risks

Mortality risks

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

Withdrawal risk

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

21.1.9 Gratuity scheme entitles the members to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Group's Service rules. Gratuity is based on the last month basic salary for each year of service.

21.2 Deferred taxation

	2017			
	Opening balance	Charge to / (reversal from)		Closing balance
		Profit or loss	Other comprehensive income	
	---------- Rupees ----------			
Taxable temporary difference				
Surplus on revaluation of operating assets	1,182,774,571	(105,400,412)	-	1,077,374,159
Tax depreciation allowance	1,253,093,637	69,641,090	-	1,322,734,727
	2,435,868,208	(35,759,322)	-	2,400,108,886
Deductible temporary difference				
Provision for gratuity	(41,317,132)	4,247,149	(1,165,363)	(38,235,346)
Minimum tax carried forward	(304,470,197)	-	-	(304,470,197)
Tax credit on investments	(145,911,952)	145,911,952	-	-
Provision for slow moving items	(328,817)	13,500	-	(315,317)
Precommencement Expenditure	(484,092)	112,719	-	(371,373)
	(492,512,190)	150,285,320	(1,165,363)	(343,392,233)
Deferred tax liability	1,943,356,018	114,525,998	(1,165,363)	2,056,716,653

	2016			
	Opening balance	Charge to / (reversal from)		Closing balance
		Profit or loss	Other comprehensive income	
	---------- Rupees ----------			
Taxable temporary difference				
Surplus on revaluation of operating assets	1,149,105,326	33,669,245	-	1,182,774,571
Tax on specie dividend	62,994,031	(62,994,031)	-	-
Tax depreciation allowance	1,092,228,255	160,865,382	-	1,253,093,637
	2,304,327,612	131,540,596	-	2,435,868,208
Deductible temporary difference				
Provision for gratuity	(37,522,541)	(8,602,558)	4,807,967	(41,317,132)
Minimum tax carried forward	(257,151,245)	(47,318,952)	-	(304,470,197)
Tax credit on investments	(145,911,952)	-	-	(145,911,952)
Provision for slow moving items	(301,990)	(26,827)	-	(328,817)
Precommencement Expenditure	(687,409)	203,317	-	(484,092)
	(441,575,137)	(55,745,020)	4,807,967	(492,512,190)
Deferred tax liability	1,862,752,475	75,795,576	4,807,967	1,943,356,018

The Group has opted for Group taxation from tax year 2014. Minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 amounting to Rs. 604.25 million (2016: Rs. 545.73 million) are available to the Group. However, out of this, deferred tax asset has only been recognised on Rs. 304.47 million (2016: 304.47 million) as sufficient tax profits may not be available to set these off in foreseeable future on the remaining amount. The recognition of deferred tax asset shall be re-assessed on June 30, 2018.

22	Trade and other payables	Note	2017 Rupees	2016 Rupees
	Trade creditors		**356,035,404**	349,014,897
	Accrued liabilities		**1,272,695,231**	1,226,837,919
	Advance from customers		**50,681,144**	49,379,027
	Un-claimed dividend		**7,972,261**	3,198,405
	Due to associated undertakings	*22.1*	**12,485,573**	24,651,722
	Tax deducted at source		**7,194,995**	7,790,787
	Infrastructure cess	*26.1.5*	**282,816,263**	200,941,062
	Workers' Profit Participation Fund	*22.2*	**32,196,742**	25,022,533
	Workers' Welfare Fund	*22.3*	**-**	124,867,986
	Due to employees		**-**	378,107
	Loan from Director		**299,693**	299,693
			2,022,377,306	2,012,382,138

22.1	Due to associated undertaking	2017	2016
	Hussain Ginneries Limited	**11,350,171**	10,435,873
	Reliance Weaving Mills Limited	**-**	1,986,970
	Fatima Sugar Mills Limited	**4,835**	4,835
	Ahmed Fine Textile Mills Limited	**-**	1,652,747
	Pakarab Fertilizer Limited	**40,501**	40,501
	Fatima Energy Limited	**-**	3,841,919
	Fatima Fertilizer Company Limited	**1,090,066**	6,688,877
		12,485,573	24,651,722

		Note	2017 Rupees	2016 Rupees
22.2	**Workers' Profit Participation Fund**			
	Balance as at July 01,		**25,022,533**	36,431,957
	Add: Interest on funds utilized by the Holding Company		**3,239,218**	5,988,815
	Provision for the year	*31*	**32,196,742**	25,022,533
			60,458,493	67,443,305
	Less: Payment made during the year		**(28,237,928)**	(42,324,844)
	Deposited in government treasury		**(23,823)**	(95,928)
	Balance as at June 30,		**32,196,742**	25,022,533
22.3	**Workers' Welfare Fund**			
	Balance as at July 01,		**124,867,986**	115,359,423
	Add: allocation for the year		**-**	9,508,563
	Less: reversal of provision		**(124,867,986)**	-
	Balance as at June 30,		**-**	124,867,986

22.3.1 On 10 November 2016 the Honorable Supreme Court of Pakistan ("SCP") has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. The management is of the view that the judgment has removed the very basis on which the demands were raised against the Holding Company. Therefore, the Holding Company has reversed this provision as there was no longer any liability against the Holding Company under the WWF Ordinance and that all cases pending in the Court or lower appellate forums will now be disposed off in light of the earlier judgment of the SCP.

	2017	2016
	Rupees	Rupees
23 Accrued profit / interest / mark-up		
Mark-up based loans from conventional bank		
Long term financing - *secured*	**148,744,710**	158,774,404
Short term borrowings - *secured*	**67,131,024**	57,698,487
Islamic mode of financing		
Long term musharakah - *secured*	**55,198,807**	61,157,635
Short term borrowings - *secured*	**8,927,861**	1,479,280
	280,002,402	279,109,806

24 Short term borrowings - *secured*

Banking Companies	**Nominal interest rate %**		
Mark-up based borrowings from conventional banks - secured			
Cash finance	**6.38 - 7.29**	**351,359,842**	59,454,159
Running finance	**6.18 - 7.79**	**393,529,729**	267,677,573
Foreign currency export finance (cash and running finance)	**0.80 - 3.73**	**2,892,015,524**	1,628,534,723
Finance against imported merchandise	**6.18 - 7.24**	**884,236,592**	79,324,018
Money market loan - (cash finance and running Finance)	**6.13 - 6.59**	**3,509,484,273**	2,407,915,766
Islamic mode of financing - secured			
Running Musharakah	**6.39 - 6.44**	**378,281,952**	8,216,237
Import Murabaha	**6.18 - 6.41**	**531,820,021**	-
		8,940,727,933	4,451,122,476

24.1 The Group has short term borrowing facilities including funded and non-funded available from various commercial banks under mark-up / profit arrangements having aggregate sanctioned limits of Rs. 25,172 million (2016: Rs. 24,401 million). These facilities are secured against different securities including pledge of stock- in-trade, hypothecation on stocks, stores and spares, charge on current assets, lien on debtors, lien on imports and exports documents and personal guarantees of the sponsoring directors. The pledge based outstanding borrowings out of the above outstanding borrowings are secured against pledge of stock-in-trade amounting to Rs. 4,437 million. Short term borrowing facilities which remained unutilized at year end were Rs. Rs. 14,263 million (2016: Rs. 18,741 million). These facilities are expiring on various dates latest by September 25, 2018.

	Note	**2017** **Rupees**	2016 Rupees
25 Current portion of non-current liabilities			
Markup bearing finances from conventional banks:			
Long term financing - *secured*	*19*	**1,648,356,894**	1,792,698,704
Islamic mode of financing			
Long term musharika - *secured*	*20*	**345,622,650**	226,872,650
		1,993,979,544	2,019,571,354

26 Contingencies and commitments

26.1 Contingencies

The Holding Company

26.1.1 The officials of Large Taxpayers Unit, Lahore through separate notices have initiated proceedings under sections 161 of the Income Tax Ordinance, 2001 for verification of compliance with income tax withholding provisions in respect of payments made during period relevant to tax year 2012. Furthermore, proceedings under 122(5) amendment of deemed income tax assessment of tax year 2013 have also been initiated by the department. The Holding Company has furnished its explanations, however, proceedings are pending.

26.1.2 Consequent to amendment of deemed income tax assessment of tax years 2006 to 2012, the Holding Company has been extended significant relief by the first appellate authority. The issues in respect of which Commissioner Appeals did not allow relief have been takenup in appeals before the Appellate Tribunal Inland Revenue and such appeals are pending.

26.1.3 Admissibility of "payment of interest to preference share-holders" has been disputed in income tax amendment orders for tax years 2007 to 2012 involving a sum of Rs. 209 million. The first appellate authority has maintained departmental stance. The Holding Company's appeals are lying with Appellate Tribunal Inland Revenue.

26.1.4 The departmental officials through separate orders dated November 26, 2015 and February 25, 2016 have disregarded input tax to an aggregate sum of Rs. 24.4 million. The departmental officials through an order dated July 31, 2017 also raised a sales tax demand of Rs. 71 million against the Holding Company. The Holding Company has preferred appeals against such orders before the Commissioner Inland Revenue (Appeals) which are pending.

26.1.5 Infrastructure cess levied by the Excise and Taxation Department of Sindh under section 9 of Sindh Finance Act 1994 on items imported by the Holding Company. The Holding Company has filed an appeal in the Sindh High Court at Karachi against the said levy. The appeal is pending for decision till the balance sheet date. However keeping in view any unfavorable outcome of the appeal, the Holding Company has provided the balance payable amount in these financial statements.

Based on the opinion of the Holding Company's legal counsel the management is confident of favourable outcome in all aforesaid matters, hence no provision, except for note 26.1.5, is being recognised in respect of these in the financial statements.

26.1.6 Export documents negotiated with banks under Foreign bill purchase facility are Nil (2016: $ 1.48 million).

The Subsidiary Company

26.1.7 The Commissioner Inland Revenue (Appeals) through its order dated 14 April 2016 has maintained departmental rejection of input tax of Rs 18.1 million (primarily comprising out of building materials) in terms of provisions contained in SRO 450(I)/2013. The Subsidiary Company has agitated such order in appeal before Appellate Tribunal Inland Revenue which is pending.

26.1.8 Export documents negotiated with banks under Foreign bill purchase ("FBP") facility aggregating to Nil (2016: $ 1.89 million).

26.2 Commitments	*Note*	**2017 Rupees**	2016 Rupees
26.2.1 Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Group, to various institutions and corporate bodies.			
- The Holding Company		**581,413,715**	408,989,000
- The Subsidiary Company		**77,853,000**	71,355,000
26.2.2 Commitments against irrevocable letters of credit:			
The Holding Company			
- capital expenditure		**686,911,980**	782,141,909
- raw material and stores and spares		**1,336,804,565**	552,003,377
- others	*26.2.3*	**987,500,000**	800,000,000
		3,011,216,545	2,134,145,286

	2017 Rupees	2016 Rupees
The Subsidiary Company		
- raw materials and stores and spares	**3,651,055**	158,853,851

26.2.3 As at balance sheet date, Stand by Letters of Credit ("SBLC") amounting to Rs. 987.5 million (2016: 800 million) are outstanding which were issued by the National Bank of Pakistan and Summit Bank Ltd on behalf of the Holding Company favoring the lenders of FEL, an associated company, confirming that in case of failure of the Holding Company to make payment of the committed amount of equity during the period of six months, the lenders of FEL can draw on the SBLCs to cover the amount not paid by the Holding Company. An amount of Rs. 1,679 million (2016: Rs. 1,374 million) has been paid by the Holding Company to FEL till June 30, 2017.

27 Sales - *net*

	Note	2017 Rupees	2016 Rupees
Local:			
Yarn		**14,238,697,431**	9,831,157,789
Comber noil		**79,063,259**	28,606,285
Fabric		**3,974,946,998**	3,686,231,601
Waste		**413,442,837**	266,270,550
		18,706,150,525	13,812,266,225
Cotton and other products		**94,434,533**	54,502,787
		18,800,585,058	13,866,769,012
Less:			
Sales return		**(24,130,710)**	(60,174,540)
Sales tax		**-**	(513,677,879)
		(24,130,710)	(573,852,419)
Net local sales		**18,776,454,348**	13,292,916,593
Export:	*27.1*		
Yarn		**9,612,949,655**	8,066,664,396
Fabric		**1,559,220,907**	1,658,378,734
Comber noil		**233,582,182**	264,141,789
Waste		**-**	-
		11,405,752,744	9,989,184,919
Duty drawback on exports	*27.2*	**227,877,716**	-
Net export sales		**11,633,630,460**	9,989,184,919
		30,410,084,808	23,282,101,512

27.1 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs. 34.42 (2016: Rs. 42.86 million) has been included in export sale.

27.2 This represents an amount of Duty Drawback on exports under Duty Drawback of Taxes Order 2016-2017 allowed by the Ministry of Textile under the Prime Minister's package of incentives for exporters.

	Note	2017 Rupees	2016 Rupees
28 Cost of sales			
Raw material consumed	*28.1*	**19,597,066,712**	15,424,996,198
Packing material consumed		**363,475,816**	359,011,426
Salaries, wages and benefits	*28.2*	**1,817,740,500**	1,778,484,033
Traveling and conveyance		**14,200,388**	5,767,041
Power and fuel		**2,964,440,349**	2,457,041,017
Stores and spares consumed		**539,993,309**	512,986,150
Repair and maintenance		**26,661,575**	29,368,410
Insurance		**58,117,157**	60,522,722
Depreciation	*4.3*	**891,930,406**	890,170,489
Rates and taxes		**15,179,398**	15,082,302
Others		**1,177,430**	1,177,669
		26,289,983,040	21,534,607,457
Adjustment of work-in-process			
Opening stock		**278,621,424**	279,186,451
Closing stock		**(310,982,823)**	(278,621,424)
		(32,361,399)	565,027
Cost of goods manufactured		**26,257,621,641**	21,535,172,484
Adjustment of finished goods:			
Opening stock		**2,614,346,122**	1,302,776,842
Finished goods purchased		**1,319,897,880**	1,006,272,705
Closing stock		**(2,105,211,307)**	(2,614,346,122)
		1,829,032,695	(305,296,575)
Cost of goods sold		**28,086,654,336**	21,229,875,909
Cost of raw material sold		**88,789,352**	52,462,013
		28,175,443,688	21,282,337,922

28.1 Raw material consumed

	Note	2017 Rupees	2016 Rupees
Opening stock		**3,325,655,766**	3,851,604,283
Purchases and expenses		**21,326,512,084**	14,839,984,254
Transfer from ginning unit	*28.1.1*	**108,704,323**	59,063,429
		21,435,216,407	14,899,047,683
		24,760,872,173	18,750,651,966
Less:			
Closing stock		**(4,708,401,949)**	(3,128,467,158)
Stock-in-transit		**(455,403,511)**	(197,188,608)
		(5,163,805,460)	(3,325,655,766)
		19,597,066,712	15,424,996,200

	2017 Rupees	2016 Rupees
28.1.1 Production cost of ginning unit - *net*		
Raw material purchased and consumed	**144,124,246**	73,547,802
Lease charges	**1,250,000**	1,250,000
Salaries, wages and benefits	**4,353,132**	3,925,414
Traveling and conveyance	**555,125**	583,857
Repair and maintenance	**207,118**	626,751
Store consumption	**181,038**	212,558
Utilities	**64,101**	92,448
Entertainment	**149,617**	134,366
Legal and professional	**40,070**	65,947
Printing and stationery	**16,954**	21,101
Communication	**46,780**	34,798
Insurance	**134,438**	154,590
Others	**86,490**	104,824
	151,209,109	80,754,456
Less: Sale of cotton seed	**(42,504,786)**	(21,691,027)
Transferred to raw material consumed	**108,704,323**	59,063,429

The Holding Company has acquired a cotton ginning factory (Hussain Ginneries Limited) on operating lease basis. Its total cost of production, after adjustment of sale of cotton seed to third parties, has been transferred to the Holding Company as raw material cost.

28.2 These include Rs. 82.97 million (2016: Rs. 95.88 million) in respect of staff retirement benefits.

	Note	2017 Rupees	2016 Rupees
29 Selling and distribution expenses			
Export sales:			
Export development surcharge		**24,964,982**	25,531,590
Freight, shipment and handling charges		**216,122,640**	196,625,269
Insurance		**3,448,452**	2,134,416
Commission		**165,858,715**	59,704,951
Local sales:			
Freight, shipment, handling and other charges		**30,246,160**	20,736,413
Insurance		**1,570,623**	1,372,070
Salaries and benefits - *marketing staff*	*29.1*	**6,788,269**	4,753,121
Commission		**57,264,424**	124,853,864
		506,264,265	435,711,694

29.1 These include Rs. 0.66 million (2016: Rs. 0.41 million) in respect of staff retirement benefits.

	Note	2017 Rupees	2016 Rupees
30 Administrative expenses			
Salaries and benefits	*30.1*	**152,443,180**	136,537,878
Traveling and conveyance	*30.2*	**10,958,518**	9,923,173
Vehicle running and maintenance		**18,034,604**	17,508,289
Rent, rates, taxes and fees		**11,732,687**	11,772,061
Electricity, gas and water		**4,325,795**	2,535,318
Entertainment / guest house expenses		**13,584,932**	10,827,252
Communication		**11,014,395**	12,149,023
Printing and stationery		**6,191,961**	5,690,333
Insurance		**5,068,491**	6,042,684
Repair and maintenance		**3,535,695**	4,496,202
Subscription / advertisement		**4,752,410**	1,656,385
Auditors' remuneration	*30.3*	**1,815,000**	1,815,000
Legal and professional charges		**7,201,706**	8,743,649
Directors' meeting fee		**150,000**	120,000
Depreciation	4.3	**20,456,238**	23,760,920
Amortization	*5*	**181,950**	181,950
Others		**2,977,571**	2,797,808
		274,425,133	256,557,925

30.1 These include Rs. 10.99 million (2016: Rs. 9.91 million) in respect of staff retirement benefits.

30.2 These include directors' traveling expense of Rs. 3.9 million (2016: Rs. 2.7 million).

	Note	2017 Rupees	2016 Rupees
30.3 Auditors' remuneration			
Fee for statutory audit		**1,650,000**	1,650,000
Out of pocket expenses		**165,000**	165,000
		1,815,000	1,815,000

	Note	2017 Rupees	2016 Rupees
31 Other expenses			
Workers' Profit Participation Fund	*22.2*	**32,196,742**	25,022,533
Workers' Welfare Fund	*22.3*	**-**	9,508,563
Donations	*31.1*	**6,597,568**	9,708,589
Promotion of education		**395,803**	905,699
Dividend written off		**-**	3,868,592
Bad debts written off		**4,662,227**	1,885,174
Unrealized loss on re-measurement of short term investments to fair value		**1,630,000**	33,447,600
		45,482,340	84,346,750

31.1 Donations include Rs. 3.61 million (2016: Rs. 4.29 million) paid to Fazal-ur-Rehman Foundation, 487-A, Mumtazabad, Vehari Road, Multan. Sheikh Naseem Ahmad (Chief Executive Officer) is amongst the trustees of the Foundation.

32 Other income

	Note	2017 Rupees	2016 Rupees
From financial assets			
Dividend income		**225,920,601**	191,556,417
Gain on disposal of short term Investments		**-**	83,233,325
Mark-up on advance to associated undertaking		**7,729,551**	7,188,486
		233,650,152	281,978,228
From non-financial assets			
Gain on disposal of property, plant and equipment		**11,419,630**	2,015,547
WWF	*22.3*	**124,867,986**	-
Scrap sales		**8,861,280**	2,225,180
		145,148,896	4,240,727
		378,799,048	286,218,955

33 Share of loss of associates - *net of tax*

	Note	2017 Rupees	2016 Rupees
Share of loss of associate			
- *FEL*		**(22,206,898)**	(20,401,684)
- *FTCL*		**(1,914,111)**	(131,250)
Dilution gain - *FEL*		**-**	6,674,630
		(24,121,009)	(13,858,304)

34 Finance cost

	Note	2017 Rupees	2016 Rupees
Mark-up based loans from conventional banks:			
- Long term financing -*secured*		**584,545,377**	642,512,902
- Short term borrowings -*secured*		**267,110,127**	229,853,071
Islamic mode of financing:			
- Musharika - *secured*		**98,245,273**	97,321,509
- Short term borrowings -*secured*		**21,457,896**	38,369,839
Bank charges		**79,904,684**	80,283,129
Interest on Workers' Profit Participation Fund	*22.2*	**3,239,218**	5,988,815
		1,054,502,575	1,094,329,265

35	Taxation	2017 Rupees	2016 Rupees
	Current		
	- for the year	**154,733,713**	192,292,816
	- prior year	**(15,585,089)**	-
	Deferred tax	**114,525,998**	75,795,576
		253,674,622	268,088,392

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

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

	2017	2016
Applicable tax rate	**31%**	32%
Tax effect of amounts that are:		
- Tax effects of temporary differences	**16%**	19%
- Tax effect of prior year adjustment	**-2%**	0%
- Tax effect of minimum tax	**16%**	37%
- Tax effect of tax credits under section 65(B)	**-25%**	-21%
Average effective tax rate charged to profit and loss account	**36%**	67%

35.2 Through Finance Act, 2017 provisions of section 5A of the Income Tax Ordinance, 2001 have been substituted to the effect that for tax year 2017 and onwards a tax at the rate of 7.5% of accounting profit before tax is leviable to a public limited company other than schedule bank or a modarba that derives profit for a tax year but does not distribute (by way of cash or bonus shares) at least 40% of after tax profit within six months of end of the tax year.

35.3 As explained in note 43 to the consolidated financial statements, the Board of Directors in their meeting held on October 05, 2017 has recommended a cash dividend of Rs. 5.25 per ordinary share for the year ended June 30, 2017 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended June 30, 2017.

35.4 Super tax under section 4(a) of the Income Tax Ordinance, 2001 is not applicable to the Company as the imputable income does not meet the threshold of Rs. 500 million.

36	Earnings per share - *basic and diluted*		2017 Rupees	2016 Rupees

36.1 Basic earnings per share

		2017	2016
Profit after taxation	***Rupees***	**454,970,224**	133,090,215
Weighted average number of ordinary shares	***No. of shares***	**30,000,000**	30,000,000
Earnings per share	***Rupees***	**15.17**	4.44

36.2 Diluted earnings per share

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

37 Fair value measurement of financial instruments

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

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

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

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

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

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

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

	Carrying amount			Fair value	
	Loans and receivables	Other financial liabilities	Total	Level 1	Total
As at June 30, 2017	Rupees				
Financial assets - measured at fair value					
Long term investments	**2,122,268,904**		**2,122,268,904**	**2,122,268,904**	2,122,268,904
Short term investments	**219,658,800**	-	**219,658,800**	**219,658,800**	219,658,800
Financial assets - not measured at fair value					
Long term advances and investments	**1,750,168,244**	-	**1,750,168,244**	-	-
Long term deposits	**24,446,493**	-	**24,446,493**	-	-
Trade debts	**4,619,059,328**	-	**4,619,059,328**	-	-
Loans and advances	**197,595,026**	-	**197,595,026**	-	-
Mark-up accrued	**27,137,816**	-	**27,137,816**	-	-
Other receivables and deposits	**309,284,068**	-	**309,284,068**	-	-
Bank balances	**127,891,009**	-	**127,891,009**	-	-
	9,397,509,688	-	**9,397,509,688**	**2,341,927,704**	**2,341,927,704**
Financial liabilities - not measured at fair value					
Long term financing -*secured*	-	**7,439,660,754**	**7,439,660,754**	-	-
Long term musharika -*secured*	-	**889,679,269**	**889,679,269**	-	-
Trade and other payables	-	**1,700,169,306**	**1,700,169,306**	-	-
Accrued profit / interest / mark-up	-	**280,002,402**	**280,002,402**	-	-
Short term borrowings -*secured*	-	**8,940,727,933**	**8,940,727,933**	-	-
Current portion of non-current liabilities	-	**1,993,979,544**	**1,993,979,544**	-	-
	-	**21,244,219,208**	**21,244,219,208**	-	-

As at June 30, 2016	Carrying amount			Fair value	
	Loans and receivables	Other financial liabilities	Total	Level 1	Total
	------------	------------	Rupees	------------	------------
Financial assets - measured at fair value					
Long term investment	2,138,017,412		2,138,017,412	2,138,017,412	2,138,017,412
Short term investments	221,288,800	-	221,288,800	221,288,800	221,288,800
Financial assets - not measured at fair value					
Long term advance and investments	1,447,369,169	-	1,447,369,169	-	-
Long term deposits	24,446,493	-	24,446,493	-	-
Trade debts	2,140,698,115	-	2,140,698,115	-	-
Loans and advances	156,739,145	-	156,739,145	-	-
Mark-up accrued	19,408,265	-	19,408,265	-	-
Other receivables and deposits	112,607,927	-	112,607,927	-	-
Bank balances	186,451,334	-	186,451,334	-	-
	6,447,026,659	-	6,447,026,659	2,359,306,212	2,359,306,212
Financial liabilities - not measured at fair value					
Long term financing - secured	-	6,048,606,436	6,048,606,436	-	-
Long term musharika - secured	-	1,235,301,919	1,235,301,919	-	-
Trade and other payables	-	1,681,287,162	1,681,287,162	-	-
Accrued profit / interest / mark-up	-	279,109,806	279,109,806	-	-
Short term borrowings - secured	-	4,451,122,476	4,451,122,476	-	-
Current portion of non-current liabilities	-	2,019,571,354	2,019,571,354	-	-
	-	15,714,999,153	15,714,999,153	-	-

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

38 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital.

38.1 Risk management framework

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

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

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

38.2 Credit risk

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

Total financial assets of Rs. 9,431.28 million (2016: Rs. 6,447.03 million) are subject to credit risk.

Exposure to credit risk

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

	2017 Rupees	2016 Rupees
The Holding Company		
- Available for sale		
Long term advance and investments	**3,872,437,148**	3,585,386,581
- Held for trading		
Short term investments	**219,658,800**	221,288,800

The Group	2017 Rupees	2016 Rupees
Loans and receivables		
Deposits	**24,446,493**	24,446,493
Loans and advances	**197,595,026**	156,739,145
Trade debts	**4,619,059,328**	2,140,698,115
Mark-up accrued	**27,137,816**	19,408,265
Other receivables and deposits	**309,284,068**	112,607,927
Bank balances	**127,891,009**	186,451,334
	5,305,413,740	2,640,351,278

(a) Other financial assets

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

Long term investments	**Rating**	2017 Rupees	2016 Rupees
Fatima Fertilizers Company Limited	A+	**2,122,268,904**	2,138,017,412
Fatima Energy Limited	N/A	**1,374,213,490**	1,355,725,169
Fatima Transmission Company Limited	N/A	**55,200,000**	131,250
Pakarab Energy Limited	N/A	**-**	70,000
Fatima Electric Limited	N/A	**70,000**	-
Multan Real Estate (Private) Limited	N/A	**21,644,000**	21,644,000
Short term investment - held for trading			
Fatima Fertilizers Company Limited	A1	**219,658,800**	254,736,400
		3,793,057,211	3,770,326,247

(b) Bank balances

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

Bank	Rating		Rating	2017	2016
	Short term	Long term	agency	Rupees	Rupees
Allied Bank Limited	A1+	AA+	PACRA	**13,443,921**	1,567,039
National Bank of Pakistan	A1+	AAA	JCR-VIS	**5,438,486**	15,530,822
MCB Bank Limited	A1+	AAA	PACRA	**26,277,993**	7,039,033
Meezan Bank Limited	A1+	AA	JCR-VIS	**11,100,191**	9,069,404
UBL Bank Limited	A1+	AA+	JCR-VIS	**2,930,678**	15,631,321
Standard Chartered Bank Pakistan Limited	A1+	AAA	PACRA	**3,861,693**	864,664
Habib Bank Limited	A1+	AAA	JCR-VIS	**12,805,162**	31,413,408
Soneri Bank Limited	A1+	AA-	PACRA	**19,879,028**	26,489
NIB Bank Limited	A1+	AA-	PACRA	**154,734**	171,794
Bank Al Falah Limited	A1+	AA	PACRA	**6,991,604**	5,446,930
Askari Bank Limited	A1+	AA	JCR-VIS	**3,880,850**	2,120,672
The Bank of Punjab	A1+	AA-	PACRA	**2,350,323**	2,420,366
The Bank of Khyber	A1	A	PACRA	**926,866**	217,637
Bank Al Habib Limited	A1+	AA+	PACRA	**1,046,059**	828,057
Bank Islamic Limited	A1	A	PACRA	**79,930**	79,930
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	**6,672,866**	199,163
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**1,403,417**	123,429
Faysal Bank Limited	A1+	AA	PACRA	**7,323,315**	93,573,758
Samba Bank Limited	A1	AA-	JCR-VIS	**3,660**	3,685
Silk Bank Limited	A-2	A-	JCR-VIS	**73,295**	81,295
Metropolitan Bank	A1+	AA+	PACRA	**628,582**	-
Arif Habib Ropali Bank Ltd	A-1	AA-	JCR-VIS	**612,001**	-
Prime Bank Ltd	ST-2	AA	CRISL	**6,357**	-
Summit Bank Limited	A-3	A-	JCR-VIS	**-**	42,439
				127,891,009	186,451,334

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

38.3 Concentration of credit risk

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

38.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Group is not materially exposed to liquidity risk as substantially all obligations / commitments of the Group are short term in nature and are restricted to the extent of available liquidity. In addition, the Group has obtained various short term facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	Weighted average effective rate of interest	2017							
		Carrying value	**Contractual cash flows**	**Less than one month**	**One to three months**	**Three months to one year**	**One to five years**	**Above five years**	**Total**
		Rupees							
Financial liabilities									
Long term financing - *including markup*	**2.50% to 12.70%**	**10,323,319,567**	**11,962,773,139**	**155,063,204**	**374,665,948**	**2,027,173,924**	**7,753,020,597**	**1,652,849,466**	**11,962,773,139**
Short term borrowings - *including markup*	**0.80% to 7.79%**	**8,940,727,933**	**9,391,548,413**	**4,632,655,795**	**2,968,074,409**	**1,790,818,208**	**-**	**-**	**9,391,548,413**
Trade and other payables		**2,022,377,306**	**2,022,377,306**	**421,883,805**	**1,344,841,370**	**283,115,956**	**-**	**-**	**2,049,841,131**
		21,286,424,806	**23,376,698,858**	**5,209,602,804**	**4,687,581,727**	**4,101,108,088**	**7,753,020,597**	**1,652,849,466**	**23,404,162,683**

	Weighted Average effective rate of Intrest	2016							
		Carrying value	Contractual cash flows	Less than one month	One to three months	Three months to one year	One to five years	Above five years	Total
		Rupees							
Financial liabilities									
Long term financing - *including markup*	7.00% to 12.70%	9,303,479,709	10,372,534,581	86,523,523	134,605,318	2,109,864,178	7,587,791,088	453,750,473	10,372,534,581
Short term borrowings - *including markup*	1.61% to 11.73%	4,451,122,476	4,606,669,004	2,736,526,778	79,324,018	1,790,818,208	-	-	4,606,669,004
Trade and other payables		2,039,609,837	2,039,609,837	409,761,223	1,428,907,552	200,941,062	-	-	2,039,609,837
		15,794,212,022	17,018,813,422	3,232,811,524	1,642,836,888	4,101,623,449	7,587,791,088	453,750,473	17,018,813,422

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

38.5 Market risk

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

38.5.1 Currency risk

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

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

Transactional exposure in respect of non - functional currency monetary items

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

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

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

Exposure to currency risk

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

	2017	2016
Balance sheet items	**Rupees**	Rupees
Export finances	**2,892,015,524**	1,628,534,723
Foreign debtors	**(2,241,365,975)**	(968,903,297)
Gross balance sheet exposure	**650,649,549**	659,631,426
Off balance sheet items		
Outstanding letters of credit	**2,054,432,195**	1,492,999,137
Net exposure	**2,705,081,744**	2,152,630,563

The following significant exchange rate has been applied:

Average and spot rate

	Average rate		**Spot rate**	
	2017	2016	**2017**	2016
	- - - - - - - Rupees - - - - - - -		**- - - - - - - Rupees - - - - - - -**	
USD to Rupee	**104.90**	103.20	**104.80**	104.70

Sensitivity analysis:

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of export finances and foreign debtors.

	2017 Rupees	2016 Rupees
Effect on profit and loss		
USD to Rupee	**270,508,174**	215,263,056

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

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

Currency risk management

Since the maximum amount exposed to currency risk is only 6.81% (2016: 6.39%) of the Group's total assets, any adverse / favorable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

38.5.2 Interest rate risk

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

	2017	2016	2017	2016
	Effective rate (in Percentage)		Carrying amount (Rupees)	
Financial liabilities				
Fixed rate instruments:				
Long term loan	**2.50 to 3.75**	3.00 to 12.70	**2,044,816,378**	527,259,516
Variable rate instruments:				
Long term loan	**6.65 to 8.62**	7.34 to 10.50	**8,278,503,189**	8,776,220,193
Short term running finance	**6.13 to 7.79**	6.37 to 8.50	**6,048,712,409**	2,822,587,753
Export finances	**0.80 to 3.73**	0.90 to 3.86	**2,892,015,524**	1,628,534,723

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss	
	100 bps Increase	100 bps Decrease
	-------- Rupees --------	
As at June 30, 2017	**172,192,311**	**(172,192,311)**
As at June 30, 2016	132,273,427	(132,273,427)

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

38.5.3 Other price risk

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

Sensitivity analysis

The table below summarizes the Group's equity price risk as of June 30, 2017 and June 30, 2016 and shows the effects of a hypothetical 10% increase and 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Group's equity investment portfolio.

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

	2016			
	Fair value	"Hypothetical price change"	Estimated fair value after hypothetical change in prices"	"Hypothetical increase (decrease) in profit or (loss)/ equity"
	--Rupees--			
Financial assets at fair value through profit or loss	221,288,800	10% increase	243,417,680	22,128,880
		10% decrease	199,159,920	(22,128,880)
	221,288,800			

38.5.4 Operational risk

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

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

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

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

39 Capital management

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

The Group's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

The Group monitors capital on the basis of the gearing ratio - calculated as a ratio of total gearing.

The gearing ratios as at June 30, 2017 and as at June 30, 2016 were as follows:

	2017 **Rupees**	2016 Rupees
Total debt	**19,264,047,500**	13,754,602,185
Total equity including revaluation surplus	**15,834,734,401**	15,476,656,847
Total capital employed	**35,098,781,901**	29,231,259,032
Gearing	**55%**	**47%**

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, commonly imposed by the providers of debt finance. Increase in gearing ratio is mainly due to long term loan facilities availed for capital expenditure during the year.

40 Remuneration of Chief Executive officer, Directors, Non-Executive Directors and Executives

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

	2017					2016				
	Chief Executive Officer	**Non-Executive Directors**	**Executive Director**	**Executives**	**Total**	Chief Executive Officer	Non-Executive Directors	Executive Director	Executives	Total
	Rupees					Rupees				
Managerial remuneration	**4,741,512**	**9,635,811**	**4,741,512**	**59,180,943**	**78,299,778**	3,078,624	6,157,248	3,078,624	41,005,520	53,320,016
House rent and utilities	**1,439,327**	**2,856,065**	**1,185,384**	**11,836,189**	**17,316,965**	3,289,916	3,364,232	1,197,240	9,041,743	16,893,131
Medical	**135,893**	**-**	**-**	**5,918,094**	**6,053,987**	123,093	-	-	3,824,570	3,947,663
Conveyance / petrol	**-**	**-**	**-**	**594,000**	**594,000**	-		-	149,003	149,003
Insurance	**5,461**	**-**	**-**	**-**	**5,461**	5,393	-	-	-	5,393
	6,322,193	**12,491,876**	**5,926,896**	**77,529,226**	**102,270,191**	6,497,026	9,521,480	4,275,864	54,020,836	74,315,206
Numbers	**1**	**2**	**1**	**100**	**104**	1	2	1	70	74

40.1 In addition to above, only Non-Executive Directors were paid Rs. 0.15 million (2016: Rs. 0.12 million) as meeting fee.

40.2 Chief Executive Officer, Directors and some of the executives of the Group are also provided with Group maintained cars and telephones at their residences for the Group's business purposes.

40.3 These include Rs. 5.29 million (2016: Rs. 4.09 million) in respect of staff retirement benefits.

41 Number of employees

	2017	2016
	(Number)	
Total number of employees as at 30 June	**5,579**	5,633
Average number of employees during the year	**5,606**	5,733

42 Segment reporting

42.1 Reportable segments

The management has determined the operating segments of the Group on the basis of products produced.

The Group's reportable segments are as follows:

- Spinning segment - production of different qualities of yarn using natural and artificial fibers
- Weaving segment - production of different qualities of Fabric using yarn

Information regarding the Group's reportable segments is presented below. Performance is measured based on segment profit before tax, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other companies that operate within these industries.

42.2 Information about reportable segments

	Spinning		Weaving		Total	
	2017	2016	**2017**	2016	**2017**	2016
	----------	----------	---------- Rupees	----------	----------	----------
External revenues	**24,804,395,921**	18,016,686,147	**5,605,688,886**	5,265,415,364	**32,872,446,562**	**26,298,311,301**
Intersegment revenues	**2,447,438,933**	3,016,117,289	**14,922,822**	92,500	**(2,462,361,755)**	**(3,016,209,789)**
Cost of sales	**(25,376,604,782)**	(19,429,435,834)	**(2,798,838,905)**	(1,852,902,086)	**(30,637,805,443)**	**(24,298,547,711)**
Intersegment cost of sales	**(14,922,822)**	(92,500)	**(2,447,438,933)**	(3,016,117,289)	**2,462,361,755**	**3,016,209,789**
Distribution and marketing expenses	**(410,733,418)**	(406,282,583)	**(95,530,841)**	(29,429,110)	**(506,264,259)**	**(435,711,694)**
Administrative expenses	**(249,219,448)**	(231,052,484)	**(25,205,688)**	(25,505,441)	**(274,425,136)**	**(256,557,925)**
Other operating expenses	**(39,077,669)**	(79,409,270)	**(6,404,672)**	(4,937,480)	**(45,482,341)**	**(84,346,750)**
Finance cost	**(906,600,149)**	(887,749,000)	**(147,902,427)**	(206,580,265)	**(1,054,502,576)**	**(1,094,329,265)**
Other operating income	**377,077,805**	285,180,506	**1,721,241**	1,038,449	**378,799,046**	**286,218,955**
Profit before tax	**631,754,371**	283,962,271	**101,011,483**	131,074,641	**732,765,853**	415,036,911

42.2.1 The accounting policies for disclosure of the reportable segments are the same as the Group's accounting policies described in note 3.24 to the consolidated financial statements. Expenditures are allocated on the basis of actual amounts incurred for the segments. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

	2017	2016
	Rupees	Rupees

42.3 Reconciliation of reportable segment revenues and profits

	2017 Rupees	2016 Rupees
Total revenue from reportable segments	**32,872,446,562**	26,298,311,301
Elimination of inter segment revenue	**(2,462,361,755)**	(3,016,209,789)
	30,410,084,807	23,282,101,512
Profit and loss		
Total profit of reportable segments including share of loss of associate	**708,644,845**	401,178,607
Tax for the year	**(253,674,622)**	(268,088,392)
Consolidated profits	**454,970,223**	133,090,215

42.4 Segment assets and liabilities

42.4.1 Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Spinning	**Weaving**	**Total**
		Rupees	
For the year ended June 30, 2017:			
Segment assets for reportable segment	**30,208,069,696**	**4,556,471,557**	**34,764,541,253**
Unallocated corporate assets			**4,935,415,167**
Total assets as per balance sheet			**39,699,956,420**
Segment liabilities for reportable segment	**19,525,648,403**	**2,068,242,627**	**21,593,891,030**
Unallocated corporate liabilities			**2,271,330,990**
Total liabilities as per balance sheet			**23,865,222,020**
For the year ended June 30, 2016:			
Segment assets for reportable segment	25,069,667,666	4,400,695,712	29,470,363,378
Unallocated corporate assets			4,242,011,990
Total assets as per balance sheet			33,712,375,368
Segment liabilities for reportable segment	13,144,424,315	2,929,197,206	16,073,621,521
Unallocated corporate liabilities			2,162,097,000
Total liabilities as per balance sheet			18,235,718,521

42.4.2 For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments except long term investment and tax refund due from government which are held under unallocated corporate assets; and

- all liabilities are allocated to reportable segments except deferred tax liability and staff gratuity are held under unallocated corporate liabilities

42.5 Geographical information

42.5.1 The Group's gross revenue from external customers by geographical location is detailed below:

	2017	2016
	Rupees	Rupees
Pakistan	**18,776,454,348**	13,108,357,778
Asia	**8,115,097,587**	6,445,406,717
Europe	**1,777,667,512**	1,995,323,382
America	**1,212,791,732**	1,190,900,489
Australia	**2,099,345**	6,559,039
Africa	**298,096,567**	350,995,292
	30,182,207,091	23,097,542,697

42.5.2 All non-current assets of the Group as at June 30, 2017 are located and operating in Pakistan.

42.6 Other segment information

	Spinning	**Weaving**	**Total**
		Rupees	
For the year ended June 30, 2017:			
Capital expenditure	**1,897,392,212**	**111,422,826**	**2,008,815,038**
Depreciation / amortisation			
Cost of sales	**722,487,458**	**169,442,948**	**891,930,406**
Administrative expenses	**17,217,639**	**3,238,599**	**20,456,239**
	739,705,098	**172,681,547**	**912,386,645**
For the year ended June 30, 2016:			
Capital expenditure	881,083,675	31,239,372	912,323,047
Depreciation / amortisation			
Cost of sales	713,645,323	176,525,167	890,170,490
Administrative expenses	20,583,429	3,177,491	23,760,920
	734,228,751	179,702,658	913,931,410

43 Transactions with related parties

The related parties comprise subsidiary, associated undertakings and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 40. Other significant transactions with related parties are as follows:

Description of transaction	Nature of relationship	2017 Rupees	2016 Rupees
The Holding Company			
Fazal Rehman Fabrics Limited	Associate		
Sale of goods and services -*net*		**1,156,593,737**	1,362,880,410
Purchase of goods and services		**133,460,411**	29,675,357
Receipts against sale of goods and services -*net*		**947,457,506**	1,494,769,820
Freight and other charges incurred		**4,000**	1,017,485
Fatima Fertilizer Company Limited	Associate		
Dividend Income		**229,920,601**	187,687,825
Purchase / adjustment of goods and services- *net*		**5,598,811**	1,090,066
Fatima Energy Limited	Associate		
Purchase of shares		**-**	450,000,000
Advance for purchase of shares		**304,882,685**	-
Mark-up accrued on issue of shares		**5,468,658**	2,749,931
Purchase of goods and services		**990,016**	3,955,228
Payments against purchase of goods and services-net		**4,831,935**	-
Reliance Weaving Mills Limited	Associate		
Sale of goods and services		**26,052,614**	101,243,927
Purchase of goods and services		**5,979,733**	2,010,254
Receipts against sale of goods and services -*net*		**23,393,787**	98,162,678
Ahmed Fine Textile Mills Limited	Associate		
Sale of goods and services		**26,373,283**	1,053,400
Purchase of goods and services		**394,873,086**	492,998,781
Payments against purchase of goods and services - *net*		**374,195,704**	574,172,944
Freight and other charges incurred		**-**	3,959,057
Fazal-ur-Rehman Foundation, Multan	Associate		
Donations		**3,163,300**	4,290,000

Hussain Ginneries Limited	Associate		
Expenses incurred on behalf of associate		**7,102,798**	7,217,065
Receipts against expenses		**6,188,500**	6,187,500
Fatima Transmission Company Limited			
Advance for purchase of shares	Associate	**11,761,200**	70,000,000
Mark-up accrued on advance for purchase of shares		**1,945,323**	4,438,555
Fatima Electric Company Limited			
Investment made	Associate	**70,000**	-
Pak Arab Energy Limited			
Advance for purchase of shares	Associate	**25,904,160**	-
Mark-up accrued on advance for purchase of shares		**315,570**	-

The Subsidiary Company

Description of transaction	Nature of relationship	2017 Rupees	2016 Rupees
Fazal Rehman Fabrics Limited	Associate		
Sale of goods and services		**172,879,372**	269,378,920

All transactions with related parties have been carried out on commercial terms and conditions.

44 Capacity and production

Spinning:		**2017**	2016
Number of spindles installed		**232,296**	229,992
Number of rotors and VS spindles installed		**2,604**	2,220
Number of shifts worked			
Unit I, II & IV		**1,094**	1,098
Unit III		**1,094**	1,098
Subsidiary		**1,094**	1,097
Number of spindles - shifts worked		**254,167,103**	244,988,016
Capacity at 20's count	Kgs.	**94,373,516**	91,941,236
Actual production of all counts	Kgs.	**85,308,103**	79,669,186
Actual production converted into 20's count	Kgs.	**91,090,442**	87,766,704

Weaving:

Number of looms installed		**224**	224
Number of looms worked		**224**	224
Number of shifts worked		**1,094**	1,097
Standard cloth production	Sq. Mtr.	**47,063,507**	49,984,651
Actual cloth production	Sq. Mtr.	**43,576,101**	45,841,269

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

45 Non adjusting event after balance sheet date

The Board of Directors of the Holding Company in their meeting held on October 5, 2017 has proposed a final cash dividend of Rs.5.25 per share (2016: Rs.2.5 per share) for the year ended June 30, 2017 held for approval of the members in the Annual General Meeting to be held on October 28, 2017. These financial statements do not include the effect of this proposed final cash dividend and will be accounted for subsequent to year end.

46 Date of authorization of financial statements

These financial statements were authorized for issue on October 05, 2017 by the board of directors of the Group.

47 General

Figures in the financial statements have been rounded-off to the nearest rupee except stated otherwise.

Sd/-	Sd/-	Sd/-
(SHEIKH NASEEM AHMAD)	**(REHMAN NASEEM)**	**(FAIZAN-UL-HAQ)**
CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

Pattern of Shareholding
As on: June 30, 2017

No. of ShareHolders	Shareholding From	-	To	No. of Share Held	%
706	1	-	100	14,988	0.05
342	101	-	500	91,714	0.31
114	501	-	1000	84,330	0.28
112	1001	-	5000	244,570	0.82
22	5001	-	10000	144,410	0.48
7	10001	-	15000	77,463	0.26
2	15001	-	20000	34,696	0.12
1	25001	-	30000	25,299	0.08
1	30001	-	35000	32,500	0.11
1	35001	-	40000	37,830	0.13
3	40001	-	45000	132,368	0.44
1	45001	-	50000	47,130	0.16
1	55001	-	60000	59,804	0.20
1	80001	-	85000	82,828	0.28
1	130001	-	135000	131,191	0.44
1	160001	-	165000	161,680	0.54
1	295001	-	300000	300,000	1.00
3	535001	-	540000	1,605,037	5.35
3	670001	-	675000	2,024,102	6.75
2	1010001	-	1015000	2,022,355	6.74
1	1175001	-	1180000	1,176,847	3.92
1	1305001	-	1310000	1,306,976	4.36
2	1420001	-	1425000	2,843,277	9.48
1	1765001	-	1770000	1,768,488	5.89
2	1995001	-	2000000	3,993,810	13.31
1	2415001	-	2420000	2,415,422	8.05
1	3100001	-	3105000	3,101,320	10.34
1	6035001	-	6040000	6,039,565	20.13
1,335				**30,000,000**	**100.00**

Category	No Of Share Holders	Shares Held	%
Banks, Financial Inst. & Funds	7	165,790	0.553
Individual	1,290	1,213,189	4.044
Public Sector Companies	11	17,446	0.058
Associated Companies, Related Parties	7	13,433,363	44.778
Others	2	48,208	0.161
Mudaraba and Mutual Funds	4	1,787,167	5.957
Director, Spouses & Children	13	13,333,867	44.446
Executives	1	970	0.003
TOTAL	**1,335**	**30,000,000**	**100.00**

Categories Detail
As At :30-Jun-2017

Catagory Name		Shares Held	%
Directors, Spouses & Minor Children			
SHEIKH NASEEM AHMAD	(CEO / Director)	8,820	0.029
REHMAN NASEEM	(Chairman / Director)	3,101,320	10.338
FAZAL AHMED SHEIKH	(Director)	2,041,611	6.805
FAISAL AHMED	(Director)	2,039,865	6.800
FAHAD MUKHTAR	(Director)	579,715	1.932
MAHNAZ AMIR SHEIKH	(Director)	4,447	0.015
AMIR NASEEM SHEIKH		82,828	0.276
MUHAMMAD YOUSAF AMIR		1,421,638	4.739
MUHAMMAD MUKHTAR SHEIKH		1,012,969	3.377
ASAD MUHAMMAD SHEIKH		1,012,969	3.377
MUHAMMAD FAZEEL MUKHTAR		675,895	2.253
IBRAHIM MUKHTAR		675,895	2.253
MOHID MUHAMMAD AHMED		675,895	2.253
Associated Companies, Undertakings and Related Parties			
FAZAL HOLDINGS PVT LTD		7,346,541	24.488
RELIANCE COMMODITIES (PVT) LTD		500	0.002
FAWAD AHMED MUKHTAR		2,415,422	8.051
ABDULLAH AMIR FAZAL		1,421,639	4.739
ALI MUKHTAR		536,207	1.787
ABBAS MUKHTAR		536,207	1.787
FATIMA HOLDING LTD		1,176,847	3.923
Executives			
FAIZAN UL HAQ		970	0.003
Investment Bank / Co., NIT & ICP, Financial Institutions & Funds			
INDUSTRIAL DEVELOPMENT BANK OF PAIKSTAN(IDBP)		613	0.002
M/S. UNITED BANK LIMITED		788	0.003
IDBL (ICP UNIT)		1,141	0.004
NATIONAL BANK OF PAKISTAN		993	0.003
ESCORTS INVESTMENT BANK LIMITED		196	0.001
THE TRUSTEE, GHULAMAN-E-ABBAS EDUCATIONAL & MEDICAL TRUST		379	0.001
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND		161,680	0.539
Public Sector Companies			
M/S. FREEDOM ENTERPRISES (PVT) LTD		6,309	0.021
FAZAL VEGETABLE GHEE MILLS LTD		7,689	0.026
M/S. FATEH TEXTILE MILLS LIMITED		258	0.001
MOLASSES TRADING & EXPORT CO. LTD.		135	0.000
M/S. NAEEMS SECURITIES LIMITED		763	0.003
SARFRAZ MAHMOOD (PRIVATE) LTD		72	0.000
H M INVESTMENTS (PVT) LIMITED		45	0.000
AKRAM COTTON MILLS LIMITED		6	0.000
MAPLE LEAF CAPITAL LIMITED		1	0.000
FIKREES (SMC-PVT) LTD.		1,668	0.006
MRA SECURITIES LTD		500	0.002
Mudaraba & Mutual Funds			
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST		5,673	0.019
GOLDEN ARROW SELECTED STOCKS FUND LIMITED		12,406	0.041
CDC - TRUSTEE AKD OPPORTUNITY FUND		600	0.002
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST		1,768,488	5.895
Others (Holding of Ex-East Pakistanis)			
THE DEPUTY ADMINISTRATOR (APO)		1,078	0.004
DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION		47,130	0.157
Individual		1,213,189	4.044
TOTAL		**30,000,000**	**100.000**

Shareholders Five Percent (5%) or Above	%
FAZAL HOLDINGS PVT LTD	24.488
REHMAN NASEEM	10.338
FAWAD AHMED MUKHTAR	8.051
FAZAL AHMED SHEIKH	6.805
FAISAL AHMED MUKHTAR	6.800
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	5.895

Investors' Education

In Compliance with the Securities and Exchange Commission of Pakistan's SRO 924 (1) / 2015
dated September 09, 2015, Investors' attention is invited
to the following information message

Investors' Education

In Compliance with the Securities and Exchange Commission of Pakistan's SRO 924 (1) / 2015
dated September 09, 2015, Investors' attention is invited
to the following information message

Consent Form For Transmission Of Annual Audited Financial Statements Along-With Notice Of AGM Through E-Mail.

Date:__________________
Manager Shares,
Fazal Cloth Mills Limited,
Vision Consulting Limited,
3-C, LDA Flats Lawrence Road,
Lahore.042-36283096-97
Shares@vcl.com.pk

Subject: Consent For Transmission Of Annual Audited Financial Statements Along With Notice Of Annual General Meeting Through E-Mail

Dear Sir,

I hereby instruct the company M/s Fazal Cloth Mills Limited to send me the Company's Annual Balance Sheet and Profit and Loss Account, Auditors' Report and Directors' Report thereon along-with notice of Annual General Meeting (AGM) (Audited Annual Financial Statements) at my email address as per detail given below:

Sincerely

Signature of Shareholder: ____________________
Folio # / CDC account No: ____________________
Name of Shareholder: ____________________
Valid e-mail Address: ____________________
Contact No. : ____________________
CNIC No. : ____________________

FORM OF PROXY

I/WE ____

Of ____

Being a member of FAZAL CLOTH MILLS LIMITED, hereby appoint ____________________

____

(NAME)

Of ________________ another member of the Company or failing ____________________

Him ____

(NAME)

Of ____

(being a member of the Company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf, at the 52 th Annual General Meeting of the Company to be held on Saturday, the 28 th October, 2017 at E-110, Khayaban-e-Jinnah, Lahore cantt, lahore. at 11:00 am or at any adjournment thereof. As witness my hand this ________________ day of October, 2017.

Affix
Revenue
Stamp
Rs. 5.00

________________________ (Witness Signature)

________________________ (Witness Signature)

Name: ________________________ **Folio #** ________________________

Address: ________________________ **CDC A/C #** ________________________

CNIC No. ________________________ **CNIC #** ________________________

NOTES:

1. This form of proxy duly completed must be deposited at the Company's Shares Department at 129/1 Old Bahawalpur Road, Multan or Company's Shares Registrar VISION CONSULTING LIMITED, 3-C, LDA Flats, Lawrence Road, LAHORE not later than 48 hours before the time of meeting.
2. Any individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her CNIC or Passport, to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her CNIC or Passport, Representatives of corporate members should bring the usual documents required for such purpose.

فضل کلاتھ ملز لمیٹڈ

پراکسی فارم
52 واں سالانہ عمومی اجلاس

میں / ہم ....
ساکن .... بطور ممبر (ز) فضل کلاتھ ملز لمیٹڈ ....
حامل .... عام حصص، محترم / محترمہ ....
ساکن .... یا ان کے حاضر نہ ہوسکنے کی صورت میں ....
ساکن .... کو اپنے / ہمارے ایما پر کمپنی کے مورخہ 28 اکتوبر 2017 بروز ہفتہ
کو ہونے والے یا کسی بھی التوا کی صورت میں 52 سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا / ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں /
کرتے ہیں۔

بطور گواہ آج .... بتاریخ .... اکتوبر 2017 .... کی موجودگی میں دستخط ہوئے۔

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

پانچ روپے کے رسیدی
ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط
کے نمونے سے مشابہت ہونا لازمی ہے۔

اہم نکات:

1- ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹرار کے دفتر موصول ہو جانا چاہیے،

2- اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیے جائیں گے۔

3- سی ڈی سی اکاؤنٹ رکھنے والے / کارپوریٹ ادارے مزید برآں درج ذیل شرائط کو پورا کریں گے۔

- پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔
- پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔
- کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کروانی ہوگی۔

Fazal Cloth Mills Limited

Head Office / Shares Department:

59/3, Abdali Road, Multan
Ph: +92 61 4579001-7, 4781637
Fax: +92 61 4541832

Registered Office:

69/7, Abid Majeed Road, Survey # 248/7
Lahore Cantt, Lahore.+92 (42) 36684909