

Annual Report 2017



ZAHIDJEE TEXTILE MILLS LIMITED

Mission, Vision, Values

- ▶ To add value to shareholders and the economy by engaging profitably in textile products.

- ▶ To be and remain quality leader and competitive in the international market.

- ▶ To conduct business as a socially responsible corporate citizen.

Zahidjee Textile Mills Limited
Company Information

Board of Directors

Mr. Muhammad Sharif
Chairman

Mr. Muhammad Zahid
Chief Executive

Mst. Shaista Balquees
Mst. Huma Zahid
Miss Mahreen Zahid
Brig (R) Wali Muhammad
Mr. Muhammad Jamshaid

Audit Committee

Brig (R) Wali Muhammad
(Chairman)
Mst. Huma Zahid
Mr. Muhammad Jamshaid

**Company Secretary/
Chief Financial Officer**

Mr. Shahab-Ud-Din Khan

Share Registrar

Corptec Associates (Private) Limited
503-E, Johar Town, Lahore
Tel: 042-35170335, Fax 042-35170338
E-mail: info@corptec.com.pk

Registered Office

2-H, Gulberg II, Jail Road, Lahore
Tel: 042-35777291-5

Bankers of the Company

National Bank of Pakistan
The Bank of Punjab
United Bank Limited
Bank Al-Falah Limited
Askari Commercial Bank Limited
Meezan Bank Limited
Summit Bank Limited
Faysal Bank Limited
Allied Bank Limited

Auditors

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

HR & Remuneration Committee

Mst. Huma Zahid
(Chairman)
Mr. Muhammad Jamshaid
Mahreen Zahid

Export Office

20, Bilal Road, Civil Lines,
Faisalabad
Tel: + 92-41-2409223-24

Mills

- 28-KM, Sheikhpura Road,
Faisalabad
- 32-KM, Tandlianwala Road,
Faisalabad
- M-3, Industrial City,
Sahianwala, Faisalabad

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 28th Annual General Meeting (AGM) of the shareholders of ZAHIDJEE TEXTILE MILLS LIMITED ("the Company") will be held at 09:00 A.M on Tuesday, the 31st October, 2017 at registered office 2H, Gulberg II, Jail Road, Lahore to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last meeting of shareholders.
2. To consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2017 together with the Directors and Auditors reports thereon.
3. To appoint auditors for the year 2017-18 and to fix their remuneration.
4. To approve the issue of bonus shares in the proportion of one share for every twenty shares held i.e. 5% for the year ended June 30, 2017 as recommended by the Board of Directors.

SPECIAL BUSINESS:

5. To consider and approve the alteration to be made in the Articles of Association of the Company for the purpose of compliance with the mandatory E-voting requirements as prescribed in the Companies (E-voting) Regulations, 2016 and if though fit, pass the following resolutions as a Special Resolution.

RESOLVED THAT the existing Article 36 of Articles of the Association of the Company be and is hereby re-worded to be read as follows:

36 Quorum

No business shall be transacted in any general meeting unless a quorum of members is present at that time when the meeting proceeds to business. At least ten (10) members entitled and present personally or through video-Link who represents not less than twenty five percent (25%) of the total voting power, either of their own account or as proxies shall be a quorum.

46 Vote of Members

Further Resolved that in Article 46, following new Articles 46(A) and 46(B) shall be inserted:

46 (A) The provision and requirement for E-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles of Association irrespective of other provisions of these Articles and notwithstanding anything contradictory therein.

46 (B) In case of e-voting, voters may appoint either members or non-members as proxy and the company shall comply with the requirements of the Companies (E-voting) Regulations, 2016 prescribed under the Companies Ordinance, 1984.

Further resolved that the Company Secretary be and is hereby authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Company and make necessary submissions and complete legal formalities, as may be required to implement the aforesaid Special Resolutions".

6. To approve transmission of annual audited financial statements, auditor's report and directors' report etc. (annual audited accounts) to members through CD/DVD/USB at their registered address, as allowed by the Securities and Exchange Commission of Pakistan (SECP).

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To consider and if deemed appropriate pass the following resolution:

"RESOLVED THAT transmission of annual audited financial statements, auditor's report and directors' report etc. (annual audited accounts) to members at their registered addresses in soft form i.e. CD/DVD/USB as notified by SECP vide its SRO No. 470 (1)/2016 dated May 31, 2016 be and is hereby approved".

(Statement under Section 134(3) of the Companies Act, 2017 relating to the special business is enclosed herewith.)

7. To transact any other business with the permission of the chair.

By order of the Board

Lahore
Dated: October 9, 2017

SHAHAB UD DIN KHAN
Company Secretary

NOTES:

- i. The share transfer books of the Company shall remain closed from October 24, 2017 to October 31, 2017 (both days inclusive). Transfers received in order at Company's registrar, M/S Corptec Associates (Private) Limited, S03-E, Johar Town, Lahore up to close of business on October 23, 2017 will be considered in time.
- ii. Members are requested to attend in person along with Computerized National Identity Card or appoint a proxy and send their proxy forms duly witnessed so as to reach the Registered Office of the company not later than 48 hours before the time of holding the meeting.
- iii. Members are required to provide their current address, valid and legible CNIC for printing of CNIC number on their dividend warrants.
- iv. Members are required to convey their consent and E-mail Address for receiving audited Financial Statements and Notice through E-mail.
- v. The CDC account holder must bring Participant ID Number and Account / Sub Account Number.
- vi. As per Section 242 of Companies Act, 2017 dividend payable in cash shall only be paid through electronic mode directly into the bank account. Please provide bank account details (IBAN Account Number) to our share registrar.
- vii. Share holders, who by any reason, could not claim their dividend or bonus shares are advised to contact our share registrar. Under section 244 of Companies Act, 2017 states after having completed the stipulated procedure, all dividends unclaimed for the period of three years from the date due and payable shall be deposited to the credit of Federal Government/SECP and in case of shares shall be delivered to SECP.

STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017 PERTAINING TO ITEM NO. 5 AMENDMENTS IN THE ARTICLES OF ASSOCIATION:

To give effect to the Companies (E-voting) Regulation 2016, shareholders' approval is being sought to amend the Article of Association of the Company to enable e-voting.

PERTAINING TO ITEM NO.6 TRANSMISSION OF ANNUAL AUDITED FINANCIAL STATEMENTS THROUGH CD/DVD/USB:

The SECP has allowed companies through SRO 470(1)2016 dated May 31, 2016 to circulate the annual balance sheet and profit and loss account, auditor's report and directors' report etc. ("annual audited accounts") to its members through CD/DVD/USB at their registered address. Printed copy of above referred statements shall be provided to such members who opt for having hard copy on the Request form which is available on the website of the Company i.e. www.zahidjee.com.pk

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DIRECTORS' REPORT TO THE MEMBERS

With grace of almighty Allah I have privilege to place before you, on behalf of the Board of Directors, the audited Financial Statements of the company for the year ended June 30, 2017.

Operating Results

Operating results for the year under review are as under:

	2017 Rupees	2016 Rupees
Profit before taxation	414,416,771	321,160,873
Provision for taxation	197,258,415	13,096,870
Profit for the year	<u>217,158,356</u>	<u>308,064,003</u>
Earnings per share – Basic and diluted	<u>1.19</u>	<u>1.69</u>

Your company's sales recorded a rise from Rs. 6,699 million last year to Rs.7,968 million and an increase in profit before tax from 321.160 million of last year to Rs. 414.416 million this year. Increase in sales is attributable to increased production due to installation of 8400 additional spindles. Production increased by 160 to 180 bags per day, due to which we obtained significant increase in profitability. Efficient working of mills is also an important factor. The net profit of the Company decreased from Rs.308.064 million to Rs. 217.158 million. The main reason of downfall of profit is the increase in the deferred tax liability due to addition in plant and machinery and increase in local sales due to increased production.

Considering the overall depressing margins in spinning, the performance of this sector of the company is also effected, The Current financial year remained difficult and frustrating for spinning business due to following reasons:

- Low demand in Local And Intrnational Market.
- The Increase in yarn price is inconsistence with Raw material Price.
- The Significant decrease in chinas demand together with cheaper indian yarn in Local market
- Introduction of various surcharges on electricity especially the so called Tariff rationalization surcharge.
- Increase in the furnace oil price made inhouse power generation more expensive

On the Other hand, China/India's policy to subsidize its yarn manufacturers by giving incentives, Suppressed the demand of cotton yarn in international market which adversely affected yarn rates.

Dividend and bonus shares

Keeping in view the huge investment in new unit from internal cash flows the Directors have decided not to pay cash dividend. However, the board of directors in its meeting held on October 9, 2017 proposed bonus shares at the rate of 5% subject to the approval of members at the forthcoming Annual General Meeting to be held on October 31, 2017.

Board of Directors

During the year Ms. Mehreen Zahid and Mst Shaista Bliqees were appointed to fill the casual vacancies occurred in the board, The number of directors remained the same as per last general meeting of the Company.

Board meetings

During the year under review Six Board meetings were held. Attendance by each director is appended below:-

S.NO.	NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
1	Mr. Muhammad Sharif	5
2	Mr. Muhammad Zahid	6
3	Mst. Huma Zahid	6
4	Ms. Aleeza Zahid	5
5	Mr. Javad Iqbal ACA	4
6	Brig. (R) Wali Muhammad	5
7	Mr. Muhammad Jamshaid	6
8	Mst. Shaista Balquees	1
9	Ms. Mehreen Zahid	1

Leave of absence was granted to the directors who could not attend the meetings.

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Audit committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee, and the following Directors are the members of the Audit Committee:

			NO. OF MEETINGS ATTENDED
Brig. (R) Wali Muhammad / Javid Iqbal	Independent Director	Chairman	1 / 3
Huma Zahid	Non-Executive Director	Member	4
Muhammad Jamshaid / Muhammad Amjad	Non-Executive Director	Member	1 / 3

The meetings of the Audit committee were held at least once every quarter prior to approval of interim and final results of the Company. The meeting was also attended by the CFO, Head of Internal Audit and External Auditors as and when it was required.

HR & Remuneration Committee

In compliance with the Code of Corporate Governance, the Board of Directors of your Company has established an HR & R committee. Composition of HR & R committee is as follows.

			NO. OF MEETINGS ATTENDED
Huma Zahid / Muhammad Amjad	Non-Executive Director	Chairman	1 / 1
Muhammad Jamshaid	Non-Executive Director	Member	2
Mehreen Zahid / Aleeza Zahid	Non-Executive Director	Member	1 / 1

Code of Corporate Governance

The Directors of the Company are pleased to confirm that the company has made compliance of the provisions set out by the Securities and Exchange Commission of Pakistan through the listing regulations of the Pakistan Stock Exchange as prescribed in the Code of Corporate Governance and there is no material departure from the best practices as detailed in the listing regulations:

- 1 The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- 2 Proper books of accounts of the company have been maintained.
- 3 Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4 International Accounting/Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and there is no departure there from.
- 5 The system of internal control is sound and has been effectively implemented and monitored.
- 6 There is no significant doubt upon the company's ability to continue as a going concern.
- 7 There has been no material departure from the best practices of Code of Corporate Governance, as detailed in Listing Regulations.
- 8 Statement of compliance with Code of Corporate Governance and Financial Highlights for the last six years are annexed.

Trading in Company's share

Directors, Chief executive officer, Chief financial officer, Company secretary and their spouses and minor children have not carried out any transaction of Company's shares.

Directors, Chief executive officer, Chief financial officer and executives do not hold any interest in the Company other than that disclosed in the pattern of share holding.

Safety and Environment

The company strictly complies with the standards of the safety rules and regulations. It also follows environmental friendly policies.

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Corporate Social Responsibility

Your company understands its corporate responsibility towards the society and fulfils its obligations by providing support to under privileged members of the society. Special persons are regularly employed in the company.

Your company is providing healthy, safe and learning work environment to its employees and sends them to attend training courses, seminars, workshops and conferences.

The company has installed an environment friendly gas based power plant with a view to reduce power cost and pollution.

Web Reference

In compliance with SRO 634 (1)/2014 dated July 10, 2014, the Company is maintaining a functional website. Annual, half yearly and quarterly reports and other notices are regularly posted at the Company's website address (<http://www.zahidjee.com.pk>).

Related Parties

Transactions between related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with the best practices on transfer pricing as contained in the Listing Regulations of Pakistan Stock Exchange.

Human Resources Management

Our commitment to excellence plays a significant role in our ability to be successful. This commitment enables us to continue investing behind talent development of our people across all functional departments. They are provided with a learning environment that encourages and fosters new ideas, initiatives and teamwork.

Pattern of share holding

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

Auditors

The external Auditors, M/s RSM Avais Hyder Liaquat Nauman, Chartered Accountants, retire and offer themselves for their reappointment. The Audit Committee has also recommended the reappointment of M/S RSM Avais Hyder Liaquat Nauman, Chartered Accountants, as external auditors for the year 2017 - 2018.

Future Outlook

With the on going capacity expansion and our efforts to expand our market share we expect our company to progress in coming year. We are installing further 8,736 Spindles from Lakshmi Ring Frames, two MURATA auto winders and some back process machinery from Europe, production expected in December 2017.

On the whole, the future of the company looks encouraging. The company is well placed to achieve further success and build shareholder value in the years ahead.

Acknowledgments

The Directors of your Company would like to place on record their deep appreciation for the support of the customers, banks, financial institutions, regulators and shareholders during the year and hope that this cooperation and support will also continue in the future.

The Directors of your Company would also like to express their appreciation for the services, devotion, loyalty and efforts being continuously rendered by the executives, staff members and workers of the Company and hope that they will continue with these efforts in future also.

For and on behalf of
the Board

Dated: October 09, 2017
Lahore


MUHAMMAD ZAHID
Chief Executive Officer

ممبران کے لئے ڈائریکٹرز رپورٹ

اللہ تعالیٰ کے فضل و کرم سے میں بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2017ء کی آڈیٹڈ مالیاتی اسٹیٹمنٹ آپ کو پیش کر رہا ہوں۔

2016 Rupees	2017 Rupees
321,160,873	414,416,771
13,096,870	197,256,415
<u>308,064,003</u>	<u>217,158,356</u>
<u>1.69</u>	<u>1.19</u>

آپریٹنگ نتائج
کمپنی کے آپریٹنگ نتائج مختصر آدرج ذیل ہیں
قبل از ٹیکس منافع
سالانہ منافع
آمدنی فی کس حصہ

پچھلے سال آپ کی کمپنی کی آمدنی 6,699 ملین روپے سے بڑھ کر 7,968 ملین روپے اور قبل از ٹیکس منافع 321,160 ملین روپے سے بڑھ کر 414.416 ملین روپے درج کیا گیا ہے۔ اس سال آمدنی اور منافع میں بڑھوتری پیداوار میں بڑھوتری کی وجہ سے ہے۔ اس برس 8400 سپنڈل کا اضافہ کیا گیا ہے۔ جس سے پروڈکشن 160-180 بورے بڑھ گئی۔ ملز کا بھرپور طریقے سے کام کرنا بھی بڑا ضروری عنصر ہے۔ آپ لوگ اچھی طرح سے واقف ہیں کہ پاکستان کی پریمیر انڈسٹری کافی سالوں سے مشکلات کا شکار ہے۔

اس کی تنزلی کی بنیادی وجوہات مختصر آدرج ذیل ہیں۔

- 1- لوکل اور بیرون ڈیمانڈ میں کمی۔
- 2- خام مال کی قیمت میں قیمت فروخت کی نسبت زیادہ اضافہ۔
- 3- چائنا کی پاکستان سے ایکسپورٹ میں کمی۔
- 4- ملک کے اندر سستے بھارتی دھاگے کی درآمد۔
- 5- فرنس آئل کی قیمت میں اضافہ سے اپنے پاور ہاؤس کی بجلی کا مہنگا ہونا۔
- 6- دوسری جانب انڈیا وغیرہ نے اپنے پیداواری یونٹ کو مدد فراہم کی۔

ڈیویڈنڈ اور بونس شیئر (تصرفات)

نئے یونٹ میں بڑی سرمایہ کاری کرنے کے پیش نظر اندرونی کیش فلوز کی بنیاد پر ڈائریکٹرز نے کیش ڈیویڈنڈ دینے کا فیصلہ کیا ہے تاہم آپ کے ڈائریکٹرز نے 5 فیصد بونس شیئر تجویز کیا ہے۔

بورڈ آف ڈائریکٹرز

رواں سال ممبران زائد اور مسات شائستہ کو خالی آسامیوں پر تعینات کیا گیا تھا۔ اور یہ آسامیاں مس علیزہ زائد اور جاوید اقبال کے استعفیٰ دینے کے

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نمبر	نام	تعداد
1	محمد شریف	5
2	محمد زاہد	6
3	شما زاہد	6
4	علیزہ زاہد	5
5	جاوید اقبال	4
6	برگزیب ورس محمد	5
7	محمد جمشید	6
8	سانستہ بقیمین	1
9	مہربین زاہد	1

بعد خالی ہوئی تھی۔ ڈائریکٹرز کی تعداد پچھلے سال والی ڈائریکٹرز کی تعداد کے برابر ہے۔
بورڈ کا اجلاس

رواں سال چھ بار بورڈ کا اجلاس ہوا ہر ڈائریکٹر کی حاضری مندرجہ ذیل ہے۔

چھٹی کی درخواست ڈائریکٹرز کے حق میں منظور کر دی گئی تھی جو اجلاس میں حاضر نہ ہو سکے۔

آڈٹ کمیٹی

بورڈ آف ڈائریکٹرز نے Corporate Governance کوڈ کے مطابق ایک آڈٹ کمیٹی قائم کی اور مندرجہ ذیل ڈائریکٹرز آڈٹ کمیٹی کے ممبران ہیں۔

نائب ممبر	ممبر	ممبر
1 / 3	چیمبرمین	جاوید اقبال / برگزیب ورس محمد
4	ممبر	شما زاہد
3 / 1	ممبر	محمد جمشید / محمد امجد

آڈٹ کمیٹی کا اجلاس ہر تین ماہ ایک بار منعقد ہوا اور یہ اجلاس کمپنی کے حتمی نتائج سے پہلے منعقد ہوئے ان اجلاس میں Internal Audit، CFO کے سربراہ اور Auditors External نے شمولیت اختیار کی اور درج ذیل ہیں۔

COCG 2012 کے مطابق HR&R کمیٹی

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز نے HR&R کمیٹی قائم کی HR&R کمیٹی کا چناؤ اور میٹنگ کی حاضری مندرجہ ذیل ہے۔

نائب ممبر	ممبر	ممبر
1 / 1	ممبر <td>شما زاہد / محمد امجد</td>	شما زاہد / محمد امجد
2	ممبر <td>محمد جمشید</td>	محمد جمشید
1 / 1	ممبر <td>مہربین زاہد / علیزہ زاہد</td>	مہربین زاہد / علیزہ زاہد

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

مندرجہ ذیل معاملات کے لیے ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کارپوریٹ اینڈ فنانشل رپورٹنگ

فریم ورک کے ساتھ تعمیل کی تصدیق کی ہے

- کمپنی کی انتظامیہ کی جانب سے تیار کی جانے والی مالیاتی اسٹیٹمنٹ شفافیت کے ساتھ اسٹیٹ آف افیئرز، آپریٹرز کے نتائج، کمیشن کا بہاؤ اور ایکویٹی میں تبدیلیوں کو پیش کرتی ہے۔
- کمپنی اکاؤنٹ کی کتب باقاعدہ برقرار رکھتی ہے۔
- مالیاتی اسٹیٹمنٹ کی تیاری کے لیے مناسب اکاؤنٹنگ پالیسیاں مسلسل لاگو کی جاتی ہیں اور اکاؤنٹنگ اسٹیٹمنٹس معقول اور دانشمندانہ فیصلوں پر مبنی ہوتے ہیں۔
- پاکستان میں لاگو ہونے والے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈ پر مالیاتی اسٹیٹمنٹس کی تیاری میں عمل درآمد کیا جاتا ہے۔
- اندرونی کنٹرول کا نظام بہترین انداز میں مرتب کیا گیا موثر انداز میں لاگو کیا گیا ہے اور ساتھ ساتھ اس کی باقاعدہ نگرانی بھی کی جاتی ہے۔
- کمپنی کی مالی حالت مستحکم ہے اور کوئی مالی خطرہ نہیں ہے۔
- لسٹنگ ریگولیشنز میں دی گئی تفصیل کے مطابق کارپوریٹ گورننس کے بہترین طریقوں میں کوئی Departure Material نہیں کیا جاتا۔
- کارپوریٹ گورننس پر عمل درآمد کی رپورٹ دی گئی ہے۔ اور پچھلے چھ سال کے خاص مالی اعداد بھی دیئے گئے ہیں۔

کمپنی کے چھ ممبروں میں کاروبار

ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، کمپنی سیکرٹری اور ان کے بیوی بچوں نے کمپنی کے حصص میں پیسوں کا کوئی لین دین نہیں کیا

مندرجہ بالا آفیسر کمپنی میں کوئی اضافی مفاد نہیں رکھتے ماسوائے ان کے جو شیئر ہولڈنگ کے اصولوں سے حاصل ہیں۔

ماحول اور تحفظات

کمپنی ماحول کے تحفظات کیلئے بنائے جانے والے اصولوں کی سختی سے پابندی کرتی ہے اور یہ ماحول دوست پالیسیوں کا بھی احترام کرتی ہے اور ہر جاتی سماجی ذمہ داری

آپ کی کمپنی سماجی ذمہ داری کو خوب محسوس کرتی ہے اور اپنی ذمہ داری کو سوسائٹی کے محروم طبقوں کی مدد کر کے پورا کرتی ہے۔ خصوصی افراد کو کمپنی میں ملازم رکھا جاتا ہے۔
مراسلات

کمپنی شیئر ہولڈرز کے ساتھ مواسلات قائم رکھنے کی اہمیت پر توجہ مرکوز رکھتی ہے۔ شیئر ہولڈرز کو سالانہ ششماہی، سہ ماہی رپورٹس کمپنیز آرڈیننس کے مطابق ارسال کی جاتی۔ کمپنی کی فیکٹشل ویب سائٹ www.zahidjee.com.pk ہے جس پر اکاؤنٹس اپ لوڈ کئے جاتے ہیں۔
تعلق دار افراد

تعلق دار افراد سے معاملات شفافیت سے کئے جاتے ہیں قیمتوں کا تعین آزادانہ مقابلہ کے طریقہ سے کیا جاتا۔
ہیومن ریسورس مینجمنٹ

ہماری کامیابی کی صلاحیت میں کامیابی حاصل کرنے کے مہم ارادہ کا بڑا دخل ہے شاندار انسانی وسائل کے حصول کیلئے خرچ کرنا ہماری پالیسی ہے انسانی وسائل کیلئے مسلسل کیے کا ماحول مہیا کیا جاتا ہے تاکہ نئے خیالات سے استفادہ کیا جاسکے۔

شیئر ہولڈنگ کا نمونہ

تیس جون 2017 کو شیئرز کی پوزیشن کا جدول رپورٹ میں شامل ہے۔
آڈیٹرز

سبکدوش ہونے والے آڈیٹرز آریس ایم او ایس حیدر لیاقت نعمان چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔
آڈٹ کمیٹی نے سال 2017-18 کیلئے ان کی دوبارہ تقرری کی سفارش کی ہے۔

مستقبل کا اندازہ

پیداواری گنجائش میں مسلسل اضافہ کی سرمایہ کاری کے ساتھ مارکیٹ میں اپنا حصہ بڑھانے کی کوشش جاری رکھی جاتی ہے۔ ہم نے نئے مالی سال میں لکشمی کے 8736 جدید ترین رنگ سپنڈل کا اضافہ کیا جائے گا۔ دو عدد جاپانی مرانا آٹو وائمنڈ راور بیک پراس کی متعلقہ مشینری بھی لگائی جائے گی۔ اس اضافہ شدہ مشینری کی پیداوار دسمبر 2017 سے شروع کی مجموعی طور پر کمپنی کا مستقبل امید افزا ہے اور آنے والے وقت میں شیئر ہولڈرز کی سرمایہ کاری میں مزید اضافہ کا باعث ہوگا۔

اعترافات

آپ کی کمپنی کے ڈائریکٹرز اس بات کا فخر یہ اعتراف کرتے ہیں کہ ہمیں کسٹمرز، مینکزرز، مالی اداروں، ریگولیٹرز اور شیئر ہولڈرز سے ہر طرح کا تعاون ملا۔ اور امید کرتے ہیں کہ یہ تعاون اور مدد مستقبل میں بھی جاری رہے گی۔

بورڈ آف ڈائریکٹرز کی جانب سے

محمد زاہد

چیف ایگزیکٹو

لاہور 09-10-2017

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Annual Report 2017

FINANCIAL HIGHLIGHTS

	2017	2016	2015	2014	2013	2012
	(Rupees in Thousand)					
Net Assets Employed						
Fixed assets	5,525,529	4,732,497	4,147,639	3,864,008	1,945,242	1,834,405
Intangible assets	3,181	5,414	3,354	4,795	5,782	4,552
Investment in subsidiary	359,200	359,200				
Long term deposits	4,450	4,450	4,450	4,344	4,255	3,282
Current assets:	3,256,897	2,309,844	2,050,818	1,925,251	2,321,387	1,359,089
Current liabilities:	(3,564,381)	(2,867,811)	(2,200,559)	(1,745,107)	(1,916,868)	(1,172,185)
	(307,484)	(557,967)	(149,742)	180,145	404,519	186,905
Long term liabilities	(743,227)	(601,918)	(372,313)	(665,297)	(112,734)	(131,026)
Net Assets:	4,841,649	3,941,677	3,633,388	3,387,994	2,247,064	1,898,117
Represented By						
Paid up capital	1,823,058	1,657,326	1,274,866	1,274,866	408,611	340,509
Reserves	1,646,077	1,578,251	1,635,886	1,374,957	1,085,367	786,903
Revaluation surplus	1,372,514	706,100	722,636	738,171	753,087	770,706
	4,841,649	3,941,677	3,633,388	3,387,994	2,247,064	1,898,117
Operating Results						
Sales	7,968,112	6,699,200	6,676,002	5,985,119	4,611,797	3,792,121
Gross profit	808,574	658,976	565,856	763,233	685,014	390,888
Operating profit	634,489	692,134	577,861	844,790	699,092	413,298
Profit / (loss) before taxation	414,417	321,161	144,631	443,795	365,028	62,879
Financial Ratios						
Gross profit %	10.15	9.84	8.48	12.75	14.85	10.31
Operating profit %	10.47	10.33	8.66	14.11	15.16	10.90
Profit/(loss) before taxation %	5.20	4.79	2.17	7.41	7.92	1.66
Earning / (Loss) per share (Rs.)	1.19	1.86	1.91	4.25	5.03	0.30
Current ratio	0.91	0.81	0.93	1.10	1.21	1.16
Fixed assets turnover (times)	1.44	1.42	1.61	1.55	2.37	2.07
Debt equity ratio	0.09:1	0.14:1	0.10:1	0.16:1	00:1	00:1
Book value per share (Rs.)	19.03	19.52	22.83	20.79	43.87	33.11
Plant capacity and production						
Spinning						
Spindles installed/worked (Nos)	75,552	67,152	67,152	42,192	42,192	42,192
Actual production converted into 20's count (Kgs. In million)	31.45	27.26	21.58	15.71	13.78	11.50
Weaving						
Number of looms installed/worked(Nos)	280	280	280	280	280	280
Actual production converted into 60 picks (Square Meters)	35,698,954	37,811,480	36,238,488	36,275,978	31,920,341	28,748,245

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF
CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2017 prepared by the Board of Directors of Zahidjee Textile Mills Limited (the company) to comply with the Listing Regulation 5.19.24 of the Pakistan Stock Exchange Limited (the 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. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of 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's statement on internal control covers all risks and controls, or to form an opinion on effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code also requires the company to place before the Board of Directors for their consideration and approval of 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 June 30, 2017.


RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Dated: October 09, 2017
FAISALABAD

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
ZAHIDJEE TEXTILE MILLS LIMITED
JUNE 30, 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19.24 of listing regulations of Pakistan Stock Exchange 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. At present the board includes:

Category	Names
Independent Director	Wali Muhammad
Executive Director	Muhammad Zahid
Non-Executive Directors	Muhammad Sharif Shaista Balquees Huma Zahid Mahreen Zahid Muhammad Jamshaid

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 (excluding the listed subsidiaries of listed holding companies where applicable).
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. Two casual vacancies occurring on the board on March 13, 2017 were filled up by the directors within 24 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 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. The board arranged no training program for its directors during the year.
10. The board has approved 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.

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Annual Report 2017

15. The board has formed an Audit Committee. It comprises three Members, of whom two are non-executive directors and 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 an HR and Remuneration Committee. It comprises three Members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
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(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
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.

For and on behalf of
Board of Directors

Faisalabad
Dated: October 9, 2017


MUHAMMAD ZAHID
Chief Executive Officer

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Zahidjee Textile Mills Limited (the company) as at June 30, 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) (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 June 30, 2017 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.


RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner: - Hamid Masood


Dated: October 09, 2017
Place: Faisalabad

ZAHIDJEE TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	3	5,525,528,779	4,732,497,469
Intangible assets	4	3,181,098	5,413,978
Investment in subsidiary	5	359,200,000	359,200,000
Long term security deposits		4,450,142	4,450,142
		5,892,360,019	5,101,561,589
CURRENT ASSETS			
Stores, spares and loose tools	6	138,500,935	156,143,036
Stock in trade	7	1,813,395,291	1,018,969,578
Trade debts	8	687,347,188	632,490,206
Loans, advances and deposit	9	129,823,136	139,770,248
Prepayments		890,774	1,016,463
Other receivables	10	23,095,008	23,228,753
Short term investment	11	66,855,325	57,388,368
Tax refunds due from Government	12	340,123,497	215,377,879
Cash and bank balances	13	56,865,862	65,459,258
		3,256,897,016	2,309,843,789
CURRENT LIABILITIES			
Trade and other payables	14	646,684,228	579,854,800
Interest / mark up payable	15	53,512,175	35,991,631
Short term borrowings	16	2,588,837,213	2,081,645,542
Current portion of long term finance	17	275,347,248	170,318,937
Provision for taxation - income tax	30	-	-
		3,564,380,864	2,867,810,910
		5,584,876,171	4,543,594,468
NON - CURRENT LIABILITIES			
Long term finance	17	326,707,903	547,300,136
Deferred liability		-	-
Deferred taxation	18	416,519,161	54,617,692
		743,227,064	601,917,828
CONTINGENCIES AND COMMITMENTS			
Net worth	19	-	-
		4,841,649,107	3,941,676,640
Represented by :			
Share capital	20	1,823,058,090	1,657,325,540
Capital reserve		-	-
Merger reserve		366,258,513	366,258,513
Revenue reserves		1,279,818,325	1,211,992,151
		3,469,134,928	3,235,576,204
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	21	1,372,514,179	706,100,436
		4,841,649,107	3,941,676,640

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

**ZAHIDJEE TEXTILE MILLS LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
Sales	22	7,968,111,718	6,699,199,691
Cost of sales	23	7,159,537,994	6,040,223,936
Gross profit		<u>808,573,724</u>	<u>658,975,755</u>
Trading profit	24	2,239,689	2,457,863
Other income	25	23,675,568	30,700,091
		<u>834,488,981</u>	<u>692,133,709</u>
Distribution cost	26	95,345,368	115,098,506
Administrative expenses	27	96,003,444	89,246,513
Other operating expenses	28	21,811,409	26,556,674
Finance cost	29	206,911,989	140,071,143
		<u>420,072,210</u>	<u>370,972,836</u>
Profit before taxation		414,416,771	321,160,873
Provision for taxation	30	197,258,415	13,096,870
Profit for the year		<u>217,158,356</u>	<u>308,064,003</u>
Earnings per share - Basic and diluted	31	<u>1.19</u>	<u>1.69</u>

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
Profit for the year	217,158,356	308,064,003
Item that will not be subsequently reclassified to profit or loss :		
Incremental depreciation on revalued assets for the year - net of deferred tax	12,885,933	13,363,843
Related deferred tax	3,514,435	3,396,416
	16,400,368	16,760,259
Total comprehensive income for the year	<u>233,558,724</u>	<u>324,824,262</u>

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

**ZAHIDJEE TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

	2017 Rupees	2016 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	414,416,771	321,160,873
Adjustment for:		
Depreciation of property, plant and equipment	200,951,087	169,604,042
Amortisation of intangible assets	2,232,880	1,902,677
Balances written back	(214,533)	(15,032,500)
Net (gain) / loss on disposal of operating assets	(3,046,748)	5,873,545
Dividend income	(6,068,562)	(8,091,416)
Adjustment in fair value	(9,466,957)	3,297,252
Finance cost	206,911,989	140,071,143
Operating cash flows before working capital changes	<u>805,715,927</u>	<u>618,785,616</u>
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	17,642,101	(19,925,314)
Stock in trade	(794,425,713)	(142,070,670)
Trade debts	(54,856,982)	65,533,864
Loans, advances and deposit	17,895,414	18,541,496
Prepayments	125,689	34,119
Other receivables	133,745	(3,078,078)
Tax refunds due from Government	(55,453,123)	(50,321,968)
Increase in current liabilities		
Trade and other payables	67,043,961	67,779,058
	<u>(801,894,908)</u>	<u>(63,507,493)</u>
Cash generated from operating activities	3,821,019	555,278,123
Finance cost paid	(189,391,445)	(139,934,103)
Income tax paid	(77,240,797)	(72,577,682)
Net cash (used in) / generated from operating activities	<u>(262,811,223)</u>	<u>342,766,338</u>

	2017 Rupees	2016 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in:		
Property, plant and equipment	(151,571,344)	(762,689,064)
Intangible assets	-	(3,962,439)
Proceeds from disposal of operating assets	8,092,860	2,353,075
Investment in subsidiary	-	(359,200,000)
Dividend received	6,068,562	8,091,416
Net cash (used in) investing activities	(137,409,922)	(1,115,407,012)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained	279,485,080	376,996,853
Repayment of long term finance	(395,049,002)	(177,556,534)
Increase in short term borrowings - net	507,191,671	631,549,743
Net cash generated from financing activities	391,627,749	830,990,062
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(8,593,396)	58,349,389
Cash and cash equivalents at the beginning of the year	65,459,258	7,109,869
Cash and cash equivalents at the end of the year	56,865,862	65,459,258

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	CAPITAL RESERVE Merger reserve	REVENUE RESERVES			Total
			General reserve	Unappropriated profit	Sub total	
R u p e e s						
Balance as at July 01, 2015	1,274,865,800	366,258,513	300,000,000	969,627,629	1,269,627,629	2,910,751,942
Transaction with owners						
Bonus shares issued during the year (Three shares for each ten shares held)	382,459,740	-	-	(382,459,740)	(382,459,740)	-
Total comprehensive income for the year						
Profit for the year	-	-	-	308,064,003	308,064,003	308,064,003
Other comprehensive income						
Item that will not be subsequently reclassified to profit or loss: Incremental depreciation on revalued assets for the year	-	-	-	13,363,843	13,363,843	13,363,843
Related deferred tax	-	-	-	3,396,416	3,396,416	3,396,416
	-	-	-	16,760,259	16,760,259	16,760,259
Balance as at June 30, 2016	1,657,325,540	366,258,513	300,000,000	911,892,151	1,211,992,151	3,235,576,204
Transaction with owners						
Bonus shares issued during the year (Three shares for each ten shares held)	165,732,550	-	-	(165,732,550)	(165,732,550)	-
Total comprehensive income for the year						
Profit for the year	-	-	-	217,158,356	217,158,356	217,158,356
Other comprehensive income						
Item that will not be subsequently reclassified to profit or loss: Incremental depreciation on revalued assets for the year	-	-	-	12,885,933	12,885,933	12,885,933
Related deferred tax	-	-	-	3,514,435	3,514,435	3,514,435
	-	-	-	16,400,368	16,400,368	16,400,368
Balance as at June 30, 2017	1,823,058,090	366,258,513	300,000,000	979,518,325	1,279,818,325	3,469,134,928

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

ZAHIDJEE TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. GENERAL INFORMATION

- 1.1 Zahidjee Textile Mills Limited (the Company) is incorporated in Pakistan on July 17, 1990 as a public limited company under the Companies Ordinance, 1984. The Company has changed its registered office on June 5, 2017. The registered office of the Company is situated at 2-H Jail Road, Gulberg II, Lahore in the province of Punjab. The Company is currently listed on Pakistan Stock Exchange Limited. The principal business of the Company is export of all kinds of value added fabrics and textile made-ups. The Company is also engaged in the business of manufacturing and sale of yarn. The weaving unit is located at Satyana, District Faisalabad and spinning units are located at Tehsil Jaranwala and Sahianwala, District Faisalabad, in the province of Punjab.
- 1.2 The Company's project of balancing, modernization, replacement (BMR) and expansion of spinning comprising 17,472 spindles is under implementation.
- 1.3 Pursuant to scheme of arrangement approved by the Honorable Lahore High Court, Lahore, assets, liabilities and reserves of Zahidjee Fabrics Limited were merged with the assets, liabilities and reserves of Zahidjee Textile Mills Limited with effect from July 01, 2006.
- 1.4 The financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan, and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) / International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Commission differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2016 and therefore, have been applied in preparing these financial statements.

- IFRS 10, IFRS 12 and IAS 28 Investment Entities:

The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The application of standard has no significant impact on the Company's financial statements.

- **Amendments to IAS 1 Disclosure Initiative:**

These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The application of standard has no significant impact on the Company's financial statements.

- **Amendment to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets":**

In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The application of standard has no significant impact on the Company's financial statements.

- **Equity Method in Separate Financial Statements – Amendments to IAS 27**

These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The application of standard has no significant impact on the Company's financial statements.

Annual improvements 2014

These set of amendments impacts 3 standards:

- IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
- IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
- IAS 19, 'Employee benefits' regarding discount rates.

The company has applied the amendments to IFRS's included in the annual improvements 2014 cycle in the current year.

The application of amendments has no significant impact on the disclosures or amounts recognized in the company's financial statements.

2.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant.

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2016 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

2.2.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates:

- **IFRS 9 Financial Instruments (2014):**

IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition:

All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, standard requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective for accounting period beginning on or after January 01, 2018. The management of the Company is reviewing the changes to evaluate the impact of application of standard on the financial statements.

- **IFRS 15 Revenue from Contracts with Customers:**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2018. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

- **IAS 12 Income taxes**

The amendments to IAS 12 address the issue of recognition of deferred tax assets for unrealized losses and clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments are effective for accounting period beginning on or after January 01, 2017. The application of standard is not expected to have any material impact on the Company's financial statements.

- **IAS 7 Statement of cash flows**

The amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment is effective for accounting period beginning on or after January 01, 2017. The application of amendments is not expected to have any material impact on the Company's financial statements.

- **IFRIC 22 Foreign currency transactions and advance consideration:**

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The company is yet to assess the full impact of the IFRIC.

This IFRIC is effective for accounting period beginning on or after January 01, 2018. The application of IFRIC is not expected to have any material impact on the Company's financial statements.

- **IFRIC 23 Uncertainty over Income Tax Treatments:**

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The company is yet to assess the full impact of the IFRIC. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

This IFRIC is effective for accounting period beginning on or after January 01, 2019. The application of IFRIC is not expected to have any material impact on the Company's financial statements.

- **Annual improvements 2014-2016**

Annual Improvements to IFRSs through 2014-2016 cycles have been issued by IASB on December 08, 2016, amending the following standards:

- IFRS 1: First-time Adoption of International Financial Reporting Standards.
- IFRS 12: Disclosure of Interests in Other Entities.
- IAS 28: Investments in Associates and Joint Ventures.

The amendments are effective for accounting periods beginning on or after January 01, 2017 and January 01, 2019. The application of amendments is not expected to have any material impact on the Company's financial statements.

2.2.4 Standards, amendments to standards and interpretations becoming effective in future period but not relevant.

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

2.3 Basis of preparation

The financial statements have been prepared under the historical cost convention except:-

- Certain property, plant and equipment carried at valuation.
- Short term investments measured at fair value.

2.4 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost / valuation less accumulated depreciation and impairment in value, if any. Freehold land and capital work in progress are stated at valuation, cost less accumulated impairment in value, if any.

Depreciation is charged to income applying the reducing balance method at the rates specified in property, plant and equipment note 3.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition or capitalisation and upto the month preceding the disposal respectively.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as a separate item of property, plant and equipment.

Normal repair and maintenance costs are charged to income during the period in which they are incurred. Major renewals and improvements are capitalised.

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent of reversal of deficit previously charged to income, in which case that portion of the surplus is recognised in income. Deficit on revaluation of an item of property, plant and equipment is charged to surplus on revaluation of that asset to the extent of surplus and any excess deficit is charged to income. On subsequent sale or retirement of revalued item of property, plant and equipment, the attributable balance of surplus is transferred to unappropriated profit through statement of comprehensive income. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit through statement of comprehensive income.

2.5 Intangible assets

These are stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets are amortised over a period of five years using straight line method.

Amortisation on additions during the year is charged from the month in which an asset is acquired or

All costs / expenditure connected with software implementation are collected in computer softwares under implementation. These are carried at cost less impairment in value, if any and are transferred to specific assets as and when assets are available for intended use.

2.6 Investment in subsidiary

Investment in subsidiary company is measured at cost. Provision for diminution in value is made if considered permanent.

2.7 Investments

Investments are initially recognised / derecognised on trade date at cost being the fair value of consideration given including cash transaction. Trade date is the date that the Company commits to purchase or sell the investment. After initial recognition these are recognised and accounted for as follows:

Available for sale investments

Investment securities intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value are recognised in equity, through statement of comprehensive income, under fair value reserve until sold or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Gain / loss on sale of investments is taken to income in the period in which it arises.

Investments at fair value through profit or loss

These are the investments which are classified as held for trading and are acquired principally for the purpose of generating profit from short term fluctuation in price. Investments designated at fair value through profit or loss upon initial recognition also include those group of investments which are managed and their performance evaluated on fair value basis in accordance with the Company's documented investment strategy.

After initial recognition, such investments are remeasured at fair value determined with reference to the year end quoted rates (equity shares and investments in units of closed end funds at respective stock exchange rates, while the units of open end funds at their declared net asset value per unit). Gains or losses on remeasurments of these investments are recognised in the profit and loss account.

2.8 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indications exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant assets are carried at revalued amounts, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant assets are carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.10 Stores, spares and loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon.

2.11 Stock in trade

Stock in trade except wastes are valued at the lower of cost and net realisable value. Cost is determined as follows:

Raw material	Weighted average cost except items in transit which are valued at cost accumulated upto the balance sheet date.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost.

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sales. Average manufacturing cost represents cost of direct materials, labour and appropriate manufacturing overheads.

2.12 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified. Other receivables are carried at nominal amount which is the fair value of the consideration to be received in future.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value.

2.14 Trade and other payables

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

2.15 Provisions

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

2.16 Provision for taxation

Current taxation

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available under the law.

Deferred taxation

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

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

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

2.17 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

2.18 Foreign currency translation

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

2.19 Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.20 Offsetting of financial asset and financial liability

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to offset the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.21 Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge its risk associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

2.22 Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from conversion receipts is recognised when services are rendered.

Interest income is recognized on time proportionate basis.

Dividend income from investments is recognised when the Company's right to receive payment has been established except dividend from associate accounted for using equity method which is recognised as a reduction of the carrying value of investment when the Company's right to receive payment has been established.

2.23 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

2.24 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 judgments about 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 an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory and taxation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3. Property, plant and equipment

Operating assets
Capital work in progress
Advances against purchase of land
Advances for capital expenditure

Note	2017 Rupees	2016 Rupees
3.1	5,218,559,749	3,937,145,785
3.5	293,070,504	759,985,761
	11,998,000	3,998,000
	1,900,528	31,364,933
	5,525,528,779	4,732,497,469

3.1 Operating assets

	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Office equipment	Electric appliances and fittings	Furniture and fittings	Vehicles	Total
At July 01, 2015										
Cost valuation	596,484,364	969,721,958	2,240,745,209	133,074,129	32,287,970	11,782,665	4,975,229	5,731,461	45,035,750	4,071,740,805
Accumulated depreciation	-	(75,760,137)	(175,143,957)	(52,082,823)	(4,756,842)	(6,382,524)	(1,441,907)	(2,724,293)	(30,792,808)	(349,084,627)
Net book value	596,484,364	893,961,821	2,065,601,252	80,991,306	27,531,128	5,400,141	3,533,322	3,007,168	16,142,942	3,722,656,178
Year ended June 30, 2016										
Opening net book value	596,484,364	893,961,821	2,065,601,252	80,991,306	27,531,128	5,400,141	3,533,322	3,007,168	16,142,942	3,722,656,178
Additions	4,288,000	-	161,220,061	786,500	1,502,808	282,958	851,763	832,424	-	2,467,253
Transfer from capital work in progress	-	262,198,593	32,940,727	-	-	-	-	-	-	295,139,320
Disposals:										
Cost	-	-	(7,567,214)	-	(70,216)	-	(15,800)	-	(2,663,549)	(10,466,579)
Accumulated depreciation	-	-	31,305	-	24,158	-	6,707	-	2,129,204	2,191,374
Depreciation charge	-	(17,014,368)	(7,825,307)	(46,388)	(46,388)	(11,898)	(11,898)	(8,226,620)	(543,345)	(24,587,300)
Closing net book value	600,772,364	1,079,076,046	2,127,561,371	81,608,828	26,173,936	5,324,413	3,793,432	3,499,337	17,545,057	3,957,148,798
At July 01, 2016										
Cost valuation	600,772,364	1,201,880,651	2,409,260,663	130,800,659	33,770,662	17,065,603	5,813,392	6,563,685	46,911,811	4,463,652,490
Accumulated depreciation	-	(122,804,503)	(28,705,292)	(60,215,851)	(7,349,627)	(6,340,190)	(1,816,969)	(3,073,548)	(24,266,754)	(166,567,184)
Net book value	600,772,364	1,079,076,048	2,127,561,371	73,608,826	26,173,936	5,075,413	3,793,432	3,499,337	17,545,057	3,957,148,798
Year ended June 30, 2017										
Opening net book value	600,772,364	1,079,076,048	2,127,561,371	73,608,826	26,173,936	5,075,413	3,793,432	3,499,337	17,545,057	3,957,148,798
Additions	883,000	3,450,000	43,903,040	19,058,261	1,684,415	5,574,224	5,423,623	592,945	21,119,353	101,578,861
Transfer from capital work in progress	-	166,746,000	371,658,117	-	-	-	-	-	-	538,374,137
Revaluation surplus	60,039,948	53,462,434	713,954,783	-	-	-	-	-	-	847,457,165
Disposals:										
Cost	-	-	(4,302,289)	-	-	(84,598)	(220,271)	-	(5,983,271)	(12,186,367)
Accumulated depreciation	-	-	1,186,993	-	-	12,250	55,189	-	5,635,338	7,138,259
Depreciation charge	-	-	(3,755,693)	-	-	(31,238)	(125,104)	-	(1,127,619)	(5,040,112)
Closing net book value	681,705,312	1,242,878,143	3,130,727,805	83,930,725	24,927,212	10,063,836	8,331,248	3,691,157	22,526,187	5,218,559,749
At June 30, 2017										
Cost valuation	681,705,312	1,242,878,143	3,130,727,805	152,918,920	35,264,977	17,589,201	10,813,742	7,766,830	84,087,087	5,342,544,917
Accumulated depreciation	-	-	(60,988,195)	(70,357,765)	(10,337,765)	(2,479,494)	(3,465,673)	(3,167,894)	(31,567,894)	(124,385,168)
Net book value	681,705,312	1,242,878,143	3,130,727,805	83,930,725	24,927,212	10,063,836	8,331,248	3,691,157	32,520,193	5,218,559,749
Annual rate of depreciation (%)	-	-	5	5	10	10	10	10	10	20

	Note	2017 Rupees	2016 Rupees
3.2 Depreciation for the year has been allocated as under:			
Cost of goods sold	23.1	194,924,177	165,002,992
Administrative expenses	27	6,026,910	4,601,050
		<u>200,951,087</u>	<u>169,604,042</u>

3.3 Had there been no revaluation, the carrying values of freehold land, building on freehold land and plant and machinery at June 30, 2017 and 2016 would have been as follows:

	Carrying value	
	2017 Rupees	2016 Rupees
Freehold land	149,477,863	148,584,863
Building on freehold land	1,150,693,951	1,038,450,118
Plant and machinery	2,153,251,325	1,849,742,478
	<u>3,453,423,139</u>	<u>3,036,777,459</u>

3.4 Detail of disposal of operating assets

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
----- Rupees -----					
Plant and machinery (by negotiation)	4,666,070	1,150,393	3,515,677	3,824,410	A.S.Traders, Small Industrial Estate Road, Faisalabad.
	286,216	48,000	240,216	36,600	AA Traders, Jinnah Colony, Faisalabad.
	<u>4,952,286</u>	<u>1,198,393</u>	<u>3,755,893</u>	<u>3,861,010</u>	
Office equipment (by negotiation)	49,526	12,290	37,236	5,000	Particulars of purchasers are not required to be disclosed as the written down value of each asset is less than Rs. 50,000/-.
Electric Appliances (by negotiation)	46,439	19,705	26,734	15,000	Particulars of purchasers are not required to be disclosed as the written down value of each asset is less than Rs. 50,000/-.
	86,917	39,015	47,902	10,000	
	(by negotiation)	86,917	36,449	50,468	30,000
	<u>220,273</u>	<u>95,169</u>	<u>125,104</u>	<u>55,000</u>	
Vehicles (under company policy)	65,529	49,483	16,046	26,841	Particulars of purchasers are not required to be disclosed as the written down value of each asset is less than Rs. 50,000/-.
	65,500	40,877	24,623	26,829	
	65,380	49,369	16,011	26,780	
	70,825	41,110	29,715	70,825	
	70,575	37,107	33,468	70,575	
(by negotiation)	5,373,393	4,802,440	570,953	3,100,000	Mr. Farooq Yousaf Ghurki, H# 29, 10 B-I, Township Lahore
(by negotiation)	1,252,075	815,012	437,063	850,000	Mr. Muhammad Qasim, S-5, Phase-III, DHA, Lahore.
	<u>6,963,277</u>	<u>5,835,398</u>	<u>1,127,879</u>	<u>4,171,850</u>	
2017	<u>12,185,362</u>	<u>7,139,250</u>	<u>5,046,112</u>	<u>8,092,860</u>	
2016	<u>10,409,579</u>	<u>2,182,959</u>	<u>8,226,620</u>	<u>2,353,075</u>	

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3.5 Capital work in progress

	Civil work	Plant and machinery	Total
	Rupees		
Balance as at July 1, 2015	376,386,090	39,143,716	415,529,806
Additions	218,607,092	360,756,183	579,363,275
Transfer to operating assets	(202,158,593)	(32,948,727)	(235,107,320)
Balance as at June 30, 2016	393,034,589	366,951,172	759,985,761
Additions	66,781,935	4,676,945	71,458,880
Transfer to operating assets	(166,746,020)	(371,626,117)	(538,374,137)
Balance as at June 30, 2017	293,070,504	-	293,070,504

3.5.1 Additions in plant and machinery include finance cost of Rs. Nil (2016: Rs. 2.78 million) directly attributable to acquisition / installation of plant and machinery.

	Note	2017 Rupees	2016 Rupees
4. Intangible assets			
Computer software and license			
Cost		11,164,402	11,164,402
Accumulated amortisation		(7,983,304)	(5,750,424)
Written down value		3,181,098	5,413,978

4.1 Reconciliation of written down value

Opening written down value		5,413,978	3,354,216
Addition		-	3,962,439
Amortisation for the year	27	(2,232,860)	(1,902,677)
Closing balance		3,181,098	5,413,978

4.1.1 Amortisation rate is 20% per annum.

5. Investment in subsidiary

Zahidjee Towers (Private) Limited			
35,920,000 (2016: 35,920,000) ordinary shares of Rs. 10/- each			
fully paid in cash. Ownership interest 64.77% (2016: 64.77%).		359,200,000	359,200,000

5.1 Zahidjee Towers (Private) Limited is incorporated in Pakistan on October 6, 2015 as a private limited company under the Companies Ordinance, 1984. The principal object of Zahidjee Towers (Private) Limited is to provide all kinds of services related to the business of Hotels, Restaurants, Resorts, Motels. Registered office of the subsidiary is situated at 20 Bilal Road, Civil Lines, Faisalabad in the province of Punjab.

	Note	2017 Rupees	2016 Rupees
6. Stores, spares and loose tools			
Stores		66,644,716	86,052,229
Spares	6.1	71,506,674	69,776,030
Loose tools		349,545	314,777
		138,500,935	156,143,036

6.1 Spares include items that may result in fixed capital expenditure but are not distinguishable.

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	Note	2017 Rupees	2016 Rupees
7. Stock in trade			
Raw materials	7.1	1,441,535,919	765,703,389
Work in process		90,886,838	85,968,523
Finished goods	7.1	260,440,981	156,673,397
Waste		20,531,553	10,624,269
		<u>1,813,395,291</u>	<u>1,018,969,578</u>

7.1 Stock in trade amounting to Rs. 1,275.20 million (2016: Rs. 704.15 million) was pledged as security with the banking companies.

	Note	2017 Rupees	2016 Rupees
8. Trade debts			
Considered good			
Secured			
Foreign		35,754,788	64,011,779
Unsecured			
Foreign		177,167,631	215,482,058
Local		474,424,769	352,996,369
		651,592,400	568,478,427
Considered doubtful			
Unsecured			
Local		61,632,959	61,632,959
Less: Provision for doubtful debts		(61,632,959)	(61,632,959)
		-	-
		<u>687,347,188</u>	<u>632,490,206</u>

9. Loans, advances and deposit			
Considered good			
Advances			
Employees		2,600,078	804,967
Suppliers		41,267,266	52,213,307
For purchases and expenses		2,909,901	14,506,965
Income tax		77,240,797	69,292,495
Letters of credit fee and expenses		5,805,094	2,952,514
		<u>129,823,136</u>	<u>139,770,248</u>

10. Other receivables			
Considered good			
Export rebate / duty drawback		17,725,720	17,722,946
Receivable from subsidiary	10.1	800,000	800,000
Other		4,569,288	4,705,807
		<u>23,095,008</u>	<u>23,228,753</u>

10.1 It represents expenses incurred on behalf of subsidiary.

11. Short term investment			
Financial assets at fair value through profit or loss			
Quoted securities			
Habib Metropolitan Bank Limited			
2,022,854 (2016: 2,022,854)			
Ordinary shares of Rs.10/- each		57,388,368	60,685,620
Adjustment in fair value		9,466,957	(3,297,252)
		<u>66,855,325</u>	<u>57,388,368</u>

	Note	2017 Rupees	2016 Rupees
12. Tax refunds due from Government			
Income tax		129,860,342	60,567,847
Sales tax		210,263,155	154,810,032
		<u>340,123,497</u>	<u>215,377,879</u>
13. Cash and bank balances			
Cash in hand		7,922,816	14,456,216
Cash at banks			
In current accounts		48,781,660	51,000,011
In PLS accounts	13.1	161,586	3,031
		<u>56,865,862</u>	<u>65,459,258</u>

13.1 Effective profit rate in respect of PLS accounts was 3.80% to 4.00% per annum (2016 : 3.75% to 4.00% per annum).

	Note	2017 Rupees	2016 Rupees
14. Trade and other payables			
Creditors		421,551,017	405,468,438
Accrued liabilities		104,019,921	92,831,489
Advance from customers		49,977,520	17,659,637
Payable to provident fund		6,707,707	6,961,481
Workers' profit participation fund	14.1	21,811,409	17,385,877
Unclaimed dividend		1,763,009	1,763,009
Withholding taxes		9,255,405	6,186,629
Others	14.2	31,598,240	31,598,240
		<u>646,684,228</u>	<u>579,854,800</u>
14.1 Workers' profit participation fund			
Opening balance		17,385,877	7,872,427
Interest on funds utilised in the Company's business		419,476	198,961
		17,805,353	8,071,388
Paid to workers on behalf of the fund		(17,805,353)	(8,071,388)
Allocation for the year		21,811,409	17,385,877
		<u>21,811,409</u>	<u>17,385,877</u>

14.2 It includes exchange loss of Rs. 22,967,873/- (2016: Rs. 22,967,873/-) and early termination charges of Rs. 8,630,367/- (2016: 8,630,367/-) on cross currency swap. The Company has filed a suit against these charges and the case is pending before the Honourable Lahore High Court.

	Note	2017 Rupees	2016 Rupees
15. Interest / mark up payable			
Interest / mark up payable on:			
Short term borrowings		40,736,035	23,919,091
Long term finance		12,776,140	12,072,540
		<u>53,512,175</u>	<u>35,991,631</u>
16. Short term borrowings			
Secured			
From banking companies			
Export finances	16.2	960,500,000	896,600,000
Running finances	16.2	288,477,528	280,913,701
Cash finances	16.3	1,163,753,617	665,056,974
Un-secured			
From directors and associates	16.4	176,106,068	239,074,867
		<u>2,588,837,213</u>	<u>2,081,645,542</u>

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16.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs. 2,332.77 million (2016: Rs. 2,282.46 million).

16.2 These are secured against first joint pari passu charge and ranking charge over present and future current assets of the Company, ranking charge over fixed assets of spinning and weaving unit, lien on export documents and by personal guarantee of directors of the Company. These are subject to mark up at the rates of one month KIBOR plus 1% to 1.5% per annum, three months KIBOR plus 1% to 3% per annum (2016: one month KIBOR plus 1% per annum, three months KIBOR plus 1% to 3% per annum) and SBP rate plus 1% to 1.5% per annum (2016: SBP rate plus 1% per annum).

The effective rate of mark up charged during the year ranges from 3.00% to 10.50% per annum (2016: 3.50% to 9.60% per annum).

16.3 These are secured against pledge of cotton, polyester, yarn and grey cloth. These are further secured by personal guarantee of directors of the Company. These are subject to mark up at the rates of one month KIBOR plus 1% to 1.50% per annum and three months KIBOR plus 1% to 1.50% per annum (2016: one month KIBOR plus 1% per annum and three months KIBOR plus 1% per annum).

The effective rate of mark up charged during the year ranges from 7.02% to 7.40% per annum (2016: 7.35% to 8.01%).

16.4 These are interest free.

	Note	2017 Rupees	2016 Rupees
17. Long term finance			
Secured			
From banking companies			
Under mark up arrangements			
Term finances	17.1	506,337,755	617,619,073
Diminishing Musharakah	17.1	95,717,396	100,000,000
		<u>602,055,151</u>	<u>717,619,073</u>
Less: Current portion			
Installments due		(37,500,000)	(9,943,466)
Payable within one year		(237,847,248)	(160,375,471)
		<u>(275,347,248)</u>	<u>(170,318,937)</u>
		<u>326,707,903</u>	<u>547,300,136</u>

17.1 The terms of repayment of finances are as under:

Nature of loans	Balance Rupees	Number of installments		Payment terms	Commencement date	Ending date	Markup rate
		Total	Balance				
Term finances							
I	218,178,755	16	7	Quarterly	31-Mar-15	31-Dec-18	3 Months KIBOR + 1.5% p.a
II	60,335,731	16	16	Quarterly	25-Jun-17	25-Mar-21	3 Months KIBOR + 1% p.a
III	22,058,295	16	16	Quarterly	05-Aug-17	05-May-21	3 Months KIBOR + 1% p.a
IV	10,585,080	16	16	Quarterly	11-Oct-17	11-Jul-21	3 Months KIBOR + 1% p.a
V	58,766,823	16	16	Quarterly	13-Jan-18	13-Oct-21	3 Months KIBOR + 1% p.a
VI	84,616,000	16	16	Quarterly	27-Jan-18	27-Oct-21	3 Months KIBOR + 1% p.a
VII	5,400,000	16	16	Quarterly	20-May-18	20-Feb-22	3 Months KIBOR + 1% p.a
VIII	16,435,485	16	14	Quarterly	31-Mar-17	31-Dec-20	3 Months KIBOR + 1% p.a
	<u>506,337,179</u>						
Diminishing Musharakah							
I	47,104,600	12	11	Quarterly	09-May-17	09-Feb-20	3 Months KIBOR + 1.25% p.a
II	48,609,796	12	12	Quarterly	09-Aug-17	09-May-19	3 Months KIBOR + 1.25% p.a
	<u>95,717,396</u>						

The loans are secured against first charge over fixed assets of spinning and weaving unit of the Company. It is further secured by the personal guarantee of directors of the Company. The aggregate unavailed facility available to the Company is Rs. 519.95 million (2016: Rs. 423 million.)

Effective markup rates charged during the year ranges from 4.00% to 7.65% per annum (2016: 7.08% to 8.51%)

	2017 Rupees	2016 Rupees
18. Deferred taxation		
Opening balance	54,617,692	41,634,106
(Reversal) of deferred tax related to:		
Incremental depreciation on revalued assets	(3,514,435)	(3,396,416)
Provision of deferred tax on surplus	168,157,489	3,172,045
Provided during the year	197,258,415	13,207,957
	<u>416,519,161</u>	<u>54,617,692</u>
18.1 It represents the following:		
Deferred tax liability:		
Difference between accounting and tax bases of assets	547,865,327	315,656,415
Deferred tax asset:		
Carry forward tax credits and losses	(131,346,166)	(261,038,723)
	<u>416,519,161</u>	<u>54,617,692</u>
19. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantees issued in favour of:		
Sui Northern Gas Pipelines Limited for supply of gas	43,788,000	30,560,500
Faisalabad Electric Supply Company Limited for supply of electricity	17,021,760	17,021,760
Punjab Power Development Board for bidding of hydropower generation project	2,025,000	2,025,000
Indemnity bonds issued in favour of collector of customs / sales tax, Faisalabad to avail exemption of sales tax and custom duty on imported raw material / machinery		
	66,050,261	168,181,383
Demand of social security contribution regarding prior years by Punjab Social Security Institute. Matter is pending in the Honourable Civil Court, Faisalabad.		
	4,192,808	2,780,528
Income tax demand not acknowledged due to pending appeals		
	106,950,491	116,039,660
Sales tax demand not acknowledged due to pending appeals		
	22,474,250	13,528,956
Liability of workers' welfare fund not acknowledged. The Company is claiming exemption from the levy.		
	-	29,737,775
Commitments		
Under letters of credit for raw material and spare parts	343,950,652	66,831,878
Under contracts for purchase of land	202,412,630	351,472,255

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20. Share capital

20.1 Authorised capital

2016	2017		2017	2016
Number of shares			Rupees	Rupees
<u>220,000,000</u>	<u>220,000,000</u>	Ordinary shares of Rs. 10/- each,	<u>2,200,000,000</u>	<u>2,200,000,000</u>

20.2 Issued, subscribed and paid up capital

2016	2017		2017	2016
Number of shares			Rupees	Rupees
89,462,580	89,462,580	Ordinary shares of Rs. 10/- each fully paid in cash.	894,625,800	894,625,800
23,041,604	23,041,604	Ordinary shares of Rs.10/- each issued as fully paid shares as per scheme of arrangement for amalgamation sanctioned by the Court.	230,416,040	230,416,040
53,228,370	53,228,370	Ordinary shares of Rs.10/- each issued as fully paid bonus shares.	532,283,700	532,283,700
-	16,573,255	Ordinary shares of Rs.10/- each issued during the year as fully paid bonus shares.	165,732,550	-
<u>165,732,554</u>	<u>182,305,809</u>		<u>1,823,058,090</u>	<u>1,657,325,540</u>

2017	2016
Rupees	Rupees

21. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Surplus on revaluation of property, plant and equipment at the beginning of the year	770,632,324	787,392,583
Surplus arisen on revaluation carried out during the year	847,457,165	-
Transferred to unappropriated profit in respect of: Incremental depreciation	<u>(16,400,368)</u>	<u>(16,760,259)</u>
Surplus on revaluation of property, plant and equipment as at June 30,	1,601,689,121	770,632,324
Related deferred tax liability on:		
Revaluation at the beginning of the year	64,531,888	64,756,259
Deferred tax relating to:		
Incremental depreciation	(3,514,435)	(3,396,416)
Deferred tax provided during the year	<u>168,157,489</u>	<u>3,172,045</u>
	<u>229,174,942</u>	<u>64,531,888</u>
	<u>1,372,514,179</u>	<u>706,100,436</u>

21.1 Latest revaluation of freehold land, building on freehold land and plant and machinery was carried out by independent valuers M/S Joseph Lobo (Pvt) Limited as at June 30, 2017. Freehold land, building on freehold land and plant and machinery were revalued on market value basis.

	Note	2017 Rupees	2016 Rupees
22. Sales			
Export			
Cloth / made ups			
Local	22.1	1,766,454,834	1,958,877,301
Yarn		5,911,274,069	4,550,902,707
Cloth		41,965,628	2,634,389
Waste and left over		266,394,449	184,842,063
Conversion receipts		22,573,483	27,444,272
		<u>6,242,207,629</u>	<u>4,765,823,431</u>
		8,008,662,463	6,724,700,732
Add: Export rebate / duty drawback		1,463,442	7,566,940
		<u>8,010,125,905</u>	<u>6,732,267,672</u>
Less: Commission and claims		42,014,187	33,067,981
		<u>7,968,111,718</u>	<u>6,699,199,691</u>
22.1	It includes exchange gain of Rs. 2,495,734/- (2016: Rs. 2,733,109/-).		
23. Cost of sales			
Cost of goods manufactured			
Finished goods	23.1	7,273,212,862	6,069,406,865
Opening stock		167,297,666	138,114,737
Closing stock		(280,972,534)	(167,297,666)
		<u>(113,674,868)</u>	<u>(29,182,929)</u>
		<u>7,159,537,994</u>	<u>6,040,223,936</u>
23.1 Cost of goods manufactured			
Raw material consumed	23.1.1	5,552,705,744	4,520,934,348
Packing material consumed		77,520,634	63,871,806
Salaries, wages and benefits		555,401,881	525,482,163
Retirement benefits		19,755,900	18,904,364
Stores and spares consumed		238,873,028	285,237,264
Fuel and power		604,622,565	465,980,094
Repairs and maintenance		14,958,639	12,908,890
Insurance		13,911,563	10,036,998
Depreciation	3.2	194,924,177	165,002,992
Other		5,457,046	5,865,514
		<u>7,278,131,177</u>	<u>6,074,224,433</u>
Work in process			
Opening stock		85,968,523	81,150,955
Closing stock		(90,886,838)	(85,968,523)
		<u>(4,918,315)</u>	<u>(4,817,568)</u>
		<u>7,273,212,862</u>	<u>6,069,406,865</u>
23.1.1 Raw material consumed			
Opening stock		765,703,389	657,633,216
Purchases including purchase expenses		6,228,538,274	4,629,004,521
		<u>6,994,241,663</u>	<u>5,286,637,737</u>
Closing stock		(1,441,535,919)	(765,703,389)
		<u>5,552,705,744</u>	<u>4,520,934,348</u>
4. Trading profit			
Sale of cotton / polyester		77,941,131	212,224,407
Cost of sales		75,701,442	209,766,544
		<u>2,239,689</u>	<u>2,457,863</u>

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	Note	2017 Rupees	2016 Rupees
25. Other income			
Income from financial assets:			
Profit on deposits		3,730,942	52,089
Dividend		6,068,562	8,091,416
Adjustment in fair value		9,468,957	-
Income from assets other than financial assets:			
Scrap sales		1,147,826	7,524,086
Gain on disposal of operating assets		3,046,748	-
Balances written back		214,533	15,032,500
		<u>23,675,568</u>	<u>30,700,091</u>
26. Distribution cost			
Ocean freight		46,146,277	58,239,918
Local freight		11,012,979	12,222,897
Clearing and forwarding		30,281,230	36,626,172
Export development surcharge		4,545,214	4,832,409
Insurance		543,744	485,545
Other		2,815,924	2,691,565
		<u>95,345,368</u>	<u>115,098,506</u>
27. Administrative expenses			
Directors' remuneration		1,785,000	1,980,000
Staff salaries and benefits		47,082,073	39,391,404
Retirement benefits		3,390,842	2,905,250
Postage and telecommunication		3,281,656	3,945,071
Vehicles running and maintenance		11,779,017	12,211,268
Travelling and conveyance		4,582,172	3,404,815
Printing and stationery		1,168,951	801,553
Electricity and gas		2,054,846	1,685,487
Fees, subscriptions and periodicals		3,077,333	7,197,714
Advertisement		108,866	195,800
Insurance		161,124	1,002,363
Auditors' remuneration	27.1	1,277,000	1,277,000
Legal and professional		1,254,317	2,389,376
Rent, rates and taxes		890,028	464,228
Entertainment		1,915,962	101,329
Depreciation	3.2	6,026,910	4,601,050
Amortisation of intangible assets	4.1	2,232,880	1,902,677
Other		3,934,467	3,790,148
		<u>96,003,444</u>	<u>89,246,513</u>
27.1 Auditors' remuneration			
Audit fee		1,000,000	1,000,000
Sundry services		277,000	277,000
		<u>1,277,000</u>	<u>1,277,000</u>
28. Other operating expenses			
Workers' profit participation fund		21,811,409	17,385,877
Adjustment in fair value		-	3,297,252
Loss on disposal of property, plant and equipment		-	5,873,545
		<u>21,811,409</u>	<u>26,556,674</u>

	2017 Rupees	2016 Rupees
29. Finance cost		
Interest / mark up on:		
Short term borrowings	152,456,775	99,185,442
Long term finance	46,972,390	37,263,481
Workers' profit participation fund	419,476	198,961
Bank charges and commission	7,063,348	3,423,259
	<u>206,911,989</u>	<u>140,071,143</u>

30. Provision for taxation		
Current		
for the year	-	(111,087)
for prior year		
Deferred		
	<u>197,258,415</u>	<u>13,207,957</u>
	<u>197,258,415</u>	<u>13,096,870</u>

30.1 Relationship between tax expense and accounting profit

Reconciliation between accounting profit and tax expense has not been presented in these financial statements as no provision for current taxation has been made due to tax credits available under the law.

	2017	2016
31. Earnings per share - Basic and diluted		
Profit for the year (Rupees)	<u>217,158,356</u>	<u>308,064,003</u>
Weighted average number of ordinary shares outstanding during the year	<u>182,305,809</u>	<u>182,305,809</u>
Earnings per share - Basic and diluted (Rupees)	<u>1.19</u>	<u>1.69</u>

31.1 There is no dilutive effect on basic earnings per share of the Company.

32. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2017			2016		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
Remuneration	768,000	374,400	32,069,760	768,000	499,200	31,665,920
House rent allowance	345,600	168,480	14,431,392	345,600	224,640	14,249,664
Medical allowance	76,800	37,440	3,206,976	76,800	49,920	3,166,592
Utilities allowance	9,600	4,680	400,872	9,600	6,240	395,824
	<u>1,200,000</u>	<u>585,000</u>	<u>50,109,000</u>	<u>1,200,000</u>	<u>780,000</u>	<u>49,478,000</u>
Number of persons	1	1	45	1	1	47

32.1 Chief Executive Officer is entitled to free use of the Company maintained vehicle. The monetary value of running and maintenance is Rs. 1,607,464/- (2016: Rs. 1,425,953/-). The Directors have waived off their meeting fee.

33. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of subsidiary, associated undertakings and key management personnel. Amounts due to / from related parties are shown under the relevant notes to the financial statements. Remuneration to Chief Executive Officer, Director and Executives is disclosed in Note 32.

2017 2016

34. DISCLOSURE WITH REGARD TO PROVIDENT FUND

Size of the fund	(Rupees)	87,767,093	86,533,821
Cost of investment made	(Rupees)	-	-
Percentage of investment made	(Percentage)	0.00%	0.00%
Fair value of investment	(Rupees)	-	-

34.1 These figures are based on the un-audited financial statements of the provident fund.

2017 2016

35. NUMBER OF EMPLOYEES

Total number of employees as at June 30	1176	1111
Average number of employees during the year	1134	1100

2017 2016

36. PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning

Number of spindles installed	75,552	67,104
Number of spindles worked	75,552	67,104
Number of shifts per day	3	3
Installed capacity after conversion into 20's count (Kgs)	31,755,175	27,546,955
Actual production of yarn after conversion into 20's count (Kgs)	31,446,125	27,263,890

Weaving

Number of looms installed	280	280
Number of looms worked	280	280
Number of shifts per day	3	3
Annual production capacity converted into 60 picks (Square Meters)	42,536,384	42,536,384
Actual production converted into 60 picks (Square Meters)	35,688,954	37,811,480

36.1 Reasons for shortfall:

- It is difficult to determine precisely the production / related capacity since it fluctuates widely depending on various factors such as speed, width and quality etc.
- The actual production is planned to meet the market demand.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimise risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

	2017 Rupees	2016 Rupees
37.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets at amortised cost:		
Investment in subsidiary	359,200,000	359,200,000
Long term deposits	4,450,142	4,450,142
Trade debts	687,347,188	632,490,206
Loans, advances and deposit	2,600,078	804,967
Other receivables	4,569,288	4,705,807
Cash and bank balances	56,865,862	65,459,258
	<u>1,115,032,558</u>	<u>1,067,110,380</u>
Financial asset at fair value:		
Short term investments	66,855,325	57,388,368
Financial liabilities at amortised cost:		
Trade and other payables	565,639,894	538,622,657
Interest / mark up payable	53,512,175	35,991,631
Short term borrowings	2,588,837,213	2,081,645,542
Long term finance	602,055,151	717,619,073
	<u>3,810,044,433</u>	<u>3,373,878,903</u>

37.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Company are explained below:

37.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows:

	2017 Rupees	2016 Rupees
Long term deposits	4,450,142	4,450,142
Trade debts	687,347,188	632,490,206
Loans, advances and deposit	2,600,078	804,967
Other receivables	4,569,288	4,705,807
Bank balances	48,781,660	51,000,011
	<u>747,748,356</u>	<u>693,451,133</u>

Due to Company's long standing relations with counterparties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company except trade debts considered doubtful.

For trade debts credit quality of the customer is assessed, taking into consideration its financial position and previous dealings. Individual credit limits are set. The management regularly monitor and review customers credit exposure. The aging of trade debts as at balance sheet date is as under:

	2017 Rupees	2016 Rupees
Not past due	679,432,624	625,676,502
Past due	69,547,523	68,446,663
Less: Provision for doubtful debts	(81,632,959)	(61,632,959)
	<u>7,914,564</u>	<u>8,813,704</u>
	<u>687,347,188</u>	<u>632,490,206</u>

Appropriate provision has been made in respect of past due trade debts considered doubtful. The credit risk exposure is limited in respect of bank balances as these are placed with local banks having good credit rating from international and local credit rating agencies.

37.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and maintaining adequate reserve borrowing facilities. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2017 and June 30, 2016.

	2017					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
-----Rupees in thousand-----						
Financial liabilities:						
Trade and other payables	565,640	565,640	565,640	-	-	-
Interest / mark up payable	53,512	53,512	53,512	-	-	-
Short term borrowings	2,588,837	2,697,483	2,697,483	-	-	-
Long term finance	602,055	630,961	128,680	142,903	359,378	-
	3,810,044	3,947,596	3,445,315	142,903	359,378	-
-----Rupees in thousand-----						
	2016					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
-----Rupees in thousand-----						
Financial liabilities:						
Trade and other payables	538,623	538,623	538,623	-	-	-
Interest / mark up payable	35,992	35,992	35,992	-	-	-
Short term borrowings	2,081,646	2,169,006	2,169,006	-	-	-
Long term finance	717,619	789,313	98,108	95,325	525,545	70,335
	3,373,880	3,532,934	2,841,729	95,325	525,545	70,335

The contractual cash flows relating to mark up have been determined on the basis of weighted average mark up rates on borrowings. The Company will manage the liquidity risk from its own source through working capital management. As at the year end, the Company has liquid assets of Rs. 1,177.78 million (2016: Rs. 1,120.05 million) and unavailed borrowing facilities of Rs. 2,332.77 million (2016: Rs. 2,282.46 million).

37.2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange 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 returns.

i) Interest rate risk

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

Majority of interest rate risk arises from borrowings from banks. The interest rate profile of the Company's interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period.

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 and loss, therefore a change in interest rates at the reporting date would not effect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs.9.97 million (2016: Rs. 6.82 million).

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is exposed to currency risk on foreign debtors. The total foreign currency risk exposure on reporting date amounted to Rs. 212.93 million (2016: Rs. 274.38 million).

At June 30, 2017, had the currency been weakened / strengthened by 5% against the U.S dollar and Euro, with all other variables held constant, profit for the year and equity would have been higher / lower by Rs.10.65 million (2016: Rs. 14.02 million).

iii) Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. At the balance sheet date the Company is exposed to equity price risk in respect of short term investments. The total equity price risk exposure on reporting date amounted to Rs. 66.86 million (2016: Rs. 57.39 million).

At June 30, 2017, had the quoted securities prices been increased / decreased by 5%, with all other variables held constant, short term investments and equity would have been higher / lower by Rs. 3.34 (2016: Rs. 2.87 million).

37.3 Fair values of financial instruments

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

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.

37.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total of long term finance and short term borrowings. Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves' and net debt (net of cash and cash equivalent).

The salient information relating to capital risk management of the company as of June 30, 2017 and 2016 were as follows:

	Note	2017 Rupees	2016 Rupees
Total Debt			
Less: Cash and bank balances	16 & 17	3,190,892,364	2,799,264,615
Net Debt		56,865,862	65,459,258
Total equity		3,134,026,502	2,733,805,357
Total capital		3,469,134,928	3,235,576,204
Gearing ratio		6,603,161,430	5,969,381,561
		47.46%	45.80%

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 9, 2017 by the Board of Directors of the Company.

39. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The board of directors in its meeting held on October 9, 2017 proposed bonus shares at the rate of 5% subject to the approval of members at the forthcoming Annual General Meeting to be held on October 31, 2017.

40. NOMENCLATURE

Nomenclature of "Advances to contractors" has been changed to "Advances for capital expenditures" in Note 3 for better presentation.

41. Figures have been rounded off to the nearest Rupee except where mentioned rounding off in Rupees in thousands.


CHIEF EXECUTIVE OFFICER


DIRECTOR

Pattern of Shareholding
 AS ON 30-06-2017

No. of Shareholders	Shareholding		Total Shares held
	From	To	
148	1	100	6,472
876	101	500	248,752
496	501	1000	348,325
1738	1001	5000	2,184,330
45	5001	10000	307,942
18	10001	15000	233,245
4	15001	20000	70,484
8	20001	25000	185,323
3	25001	30000	88,000
2	30001	35000	68,309
3	35001	40000	113,500
2	40001	45000	88,522
3	45001	50000	147,585
3	50001	55000	157,001
3	55001	60000	171,176
1	60001	65000	65,000
1	80001	85000	84,000
1	95001	100000	98,157
1	100001	105000	103,131
1	105001	110000	106,312
1	115001	120000	115,308
1	130001	135000	132,380
1	155001	160000	157,000
1	180001	185000	181,028
1	230001	235000	233,883
1	400001	405000	404,034
3	405001	410000	1,221,264
1	2120001	2125000	2,124,020
1	20965001	20970000	20,965,032
1	151895001	151900000	151,896,294
3369			182,305,809

Categories of shareholders
as at June 30, 2017

Categories of Shareholders	Number	Shares held	Percentage
Directors, Chief Executive and their spouse and minor children			
Mr. Muhammad Zahid	1	151,896,294	83.32
Mr. Muhammad Sharif	1	1,017	0.00
Mrs. Huma Zahid	1	2,644	0.00
Ms. Mehreen Zahid	1	404,034	0.22
Mst. Shaista Bilqees	1	1,929	0.00
Mr. Wali Muhammad	1	706	0.00
Mr. Muhammad Jamshaid	1	2,644	0.00
Mr. Ahmad Zahid	1	20,965,032	11.50
Associated Companies, undertakings and related parties	-	-	0.00
NIT AND ICP			
I.C.P	1	5,672	0.00
Banks, Development Financial Institutions, Non Banking Financial Institutions	-	-	0.00
Insurance Companies	-	-	0.00
Modarabas and Mutual Funds	-	-	0.00
Joint Stock Companies	10	2,175,612	1.19
Ind. / General Public			
a. Local	3,350	6,850,225	3.76
b. Foregin	-	-	-
Total	3,369	182,305,809	100.00
Shareholders holding 5% (or more)	2	172,861,326	94.82

Consolidated Financial Statements

Directors Report on Consolidated Financial Statements

The Board of Directors have pleasure in presenting the Audited Financial Statements of the Zahidjee Textile Mills Limited (the parent) and Zahidjee Towers (Private) Limited (the subsidiary) for the year ended June 30, 2017.


The Company holds 64.77% shares in the Subsidiary Company. The principal business of subsidiary Company is to provide all kinds of services related to the business of Hotels, Restaurants, Resorts and Motels. No business was done by the Subsidiary Company During the year under report.

Financial results for the year ended June 30, 2017 and June 30, 2016 are summarized below:

	2017 Rupees	2016 Rupees
Profit before taxation	414,382,073	319,379,473
Provision for taxation	197,258,415	13,096,870
Profit for the year	217,123,658	306,282,603
Earnings per share - Basic and diluted Attributable to the shareholders of the Parent (Rupees)	1.19	1.68

For and on behalf of
the Board

Dated: October 09, 2017
Faisalabad

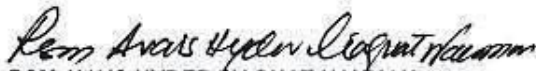

Muhammad Zahid
Chief Executive Officer

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Zahidjee Textile Mills Limited (the holding company) and its subsidiary company as at June 30, 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 Zahidjee Textile Mills Limited 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 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.

In our opinion, the consolidated financial statements present fairly the financial position of Zahidjee Textile Mills Limited and its subsidiary company as at June 30, 2017 and the results of their operations, their comprehensive income, cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.


RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner: - Hamid Masood

Dated: October 09, 2017
Place: Faisalabad

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	4	6,090,853,205	5,297,821,895
Intangible assets	5	3,181,098	5,413,978
Long term security deposits		4,450,142	4,450,142
		6,098,484,445	5,307,686,015
CURRENT ASSETS			
Stores, spares and loose tools	6	138,500,935	156,143,036
Stock in trade	7	1,813,395,291	1,018,969,578
Trade debts	8	687,347,188	632,490,206
Loans, advances and deposit	9	129,823,267	143,985,887
Prepayments		890,774	1,016,463
Other receivables	10	22,295,008	22,428,753
Short term investment	11	66,855,325	57,368,368
Tax refunds due from Government	12	344,339,136	215,377,879
Cash and bank balances	13	56,919,568	65,517,793
		3,260,366,492	2,313,317,963
CURRENT LIABILITIES			
Trade and other payables	14	646,744,228	579,884,800
Interest / mark up payable	15	53,512,175	35,991,631
Short term borrowings	16	2,604,837,213	2,097,645,542
Current portion of long term finance	17	275,347,248	170,318,937
Provision for taxation - income tax	30	-	-
		3,580,440,864	2,883,840,910
		5,778,410,073	4,737,163,068
NON - CURRENT LIABILITIES			
Long term finance	17	326,707,903	547,300,136
Deferred liability			
Deferred taxation	18	416,519,161	54,617,692
		743,227,064	601,917,828
CONTINGENCIES AND COMMITMENTS			
Net worth	19	-	-
		5,035,183,009	4,135,245,240
Represented by :			
Share capital	20	1,823,056,090	1,657,325,540
Capital reserve			
Merger reserve		366,258,513	366,258,513
Revenue reserves		1,278,641,981	1,210,838,281
		3,467,958,584	3,234,422,334
Non-controlling interest		194,710,246	194,722,470
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	21	1,372,514,179	706,100,436
		5,035,183,009	4,135,245,240

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
Sales	22	7,968,111,718	6,699,199,691
Cost of sales	23	7,159,537,994	6,040,223,936
Gross profit		<u>808,573,724</u>	<u>658,975,755</u>
Trading profit	24	2,239,689	2,457,863
Other income	25	23,676,877	30,748,481
		<u>834,490,290</u>	<u>692,182,099</u>
Distribution cost	26	95,345,368	115,098,506
Administrative expenses	27	96,038,469	91,075,113
Other operating expenses	28	21,811,409	26,556,674
Finance cost	29	206,912,971	140,072,333
		<u>420,108,217</u>	<u>372,802,626</u>
Profit before taxation		414,382,073	319,379,473
Provision for taxation	30	197,258,415	13,096,870
Profit for the year		<u>217,123,658</u>	<u>306,282,603</u>
Attributable to:			
Shareholders of the Parent		217,135,882	306,910,133
Non-controlling interest		(12,224)	(627,530)
		<u>217,123,658</u>	<u>306,282,603</u>
Earnings per share - Basic and diluted			
Attributable to the shareholders of the Parent	31	<u>1.19</u>	<u>1.68</u>

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED JUNE 30, 2017**

	2017 Rupees	2016 Rupees
Profit for the year	217,123,658	306,282,603
Item that will not be subsequently reclassified to profit or loss:		
Incremental depreciation on revalued assets for the year	12,885,933	13,363,843
Related deferred tax	3,514,435	3,396,416
	16,400,368	16,760,259
Total comprehensive income for the year	<u>233,524,026</u>	<u>323,042,862</u>
Attributable to:		
Shareholders of the Parent	233,536,250	323,670,392
Non-controlling interest	(12,224)	(627,530)
	<u>233,524,026</u>	<u>323,042,862</u>

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

	2017 Rupees	2016 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	414,382,073	319,379,473
Adjustment for:		
Depreciation of property, plant and equipment	200,951,087	169,604,042
Amortisation of intangible assets	2,232,880	1,902,677
Balances written back	(214,533)	(15,032,500)
Net (gain) / loss on disposal of operating assets	(3,046,748)	5,873,545
Dividend income	(6,068,562)	(8,091,416)
Adjustment in fair value	(9,466,957)	3,297,252
Finance cost	206,912,971	140,072,333
Operating cash flows before working capital changes	<u>805,682,211</u>	<u>617,005,406</u>
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	17,642,101	(19,925,314)
Stock in trade	(794,425,713)	(142,070,670)
Trade debts	(54,856,982)	65,533,864
Loans, advances and deposit	17,895,414	18,541,496
Prepayments	125,689	34,119
Other receivables	133,745	(2,278,078)
Tax refunds due from Government	(55,453,123)	(50,321,968)
Increase in current liabilities		
Trade and other payables	67,073,961	67,809,058
	<u>(801,864,908)</u>	<u>(62,677,493)</u>
Cash generated from operating activities	3,817,303	554,327,913
Finance cost paid	(189,392,427)	(139,935,293)
Income tax paid	(77,240,928)	(76,793,320)
Net cash (used in) / generated from operating activities	<u>(262,816,052)</u>	<u>337,599,300</u>

	2017 Rupees	2016 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in:		
Property, plant and equipment	(151,571,344)	(1,328,013,490)
Intangible assets	-	(3,962,439)
Proceeds from disposal of operating assets	8,092,860	2,353,075
Dividend received	6,068,562	8,091,416
Net cash (used in) investing activities	<u>(137,409,922)</u>	<u>(1,321,531,438)</u>
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued during the year	-	195,350,000
Long term finance obtained	279,485,080	376,996,853
Repayment of long term finance	(395,049,002)	(177,556,534)
Increase in short term borrowings - net	507,191,671	647,549,743
Net cash generated from financing activities	<u>391,627,749</u>	<u>1,042,340,062</u>
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(8,598,225)	58,407,924
Cash and cash equivalents at the beginning of the year	65,517,793	7,109,869
Cash and cash equivalents at the end of the year	<u>56,919,568</u>	<u>65,517,793</u>

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR JUNE 30, 2017**

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	CAPITAL RESERVE Merger reserve	REVENUE RESERVES			Total	Non- Controlling interest
			General reserve	Unappropriated profit	Sub total		
R u p e e s							
Balance as at July 01, 2015	1,274,865,800	366,258,513	300,000,000	969,627,629	1,269,627,629	2,910,751,942	-
Transaction with owners							
Bonus shares issued during the year (Three shares for each ten shares held)	382,459,740	-	-	(382,459,740)	(382,459,740)	-	-
Adjustment of non-controlling interest due to acquisition of shares of the subsidiary	-	-	-	-	-	-	195,350,000
Total comprehensive income for the year							
Profit / (loss) for the year	-	-	-	306,910,133	306,910,133	306,910,133	(627,530)
Other comprehensive income							
Items that will not be subsequently reclassified to profit or loss:							
Incremental depreciation on revalued assets for the year	-	-	-	13,363,843	13,363,843	13,363,843	-
Related deferred tax	-	-	-	3,396,416	3,396,416	3,396,416	-
	-	-	-	16,760,259	16,760,259	16,760,259	-
Balance as at June 30, 2016	1,657,325,540	366,258,513	300,000,000	910,838,281	1,210,838,281	3,234,422,334	194,722,470
Transaction with owners							
Bonus shares issued during the year (Three shares for each ten shares held)	165,732,550	-	-	(165,732,550)	(165,732,550)	-	-
Total comprehensive income for the year							
Profit / (loss) for the year	-	-	-	217,135,882	217,135,882	217,135,882	(12,224)
Other comprehensive income							
Items that will not be subsequently reclassified to profit or loss:							
Incremental depreciation on revalued assets for the year	-	-	-	12,885,933	12,885,933	12,885,933	-
Related deferred tax	-	-	-	3,514,435	3,514,435	3,514,435	-
	-	-	-	16,400,368	16,400,368	16,400,368	-
Balance as at June 30, 2017	1,823,058,090	366,258,513	300,000,000	978,641,981	1,278,641,981	3,467,958,584	194,710,246

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. GENERAL INFORMATION

- 1.1** The Group consists of Zahidjee Textile Mills Limited (the Parent) and Zahidjee Towers (Private) Limited (the Subsidiary).
- 1.2** The Parent is incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984. The Company has changed its registered office on June 5, 2017. The registered office of the Company is situated at 2-H, Jail Road, Gulberg II, Lahore in the province of Punjab. The Company is currently listed on Pakistan Stock Exchange Limited. The principal business of the Company is export of all kinds of value added fabrics and textile made-ups. The Company is also engaged in the business of manufacturing and sale of yarn. The weaving unit is located at Satyana, District Faisalabad and spinning units are located at Tehsil Jaranwala and Sahianwala, District Faisalabad, in the province of Punjab.
- The Subsidiary is incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984. The principal objective of subsidiary is to provide all kinds of services related to the business of Hotels, Restaurants, Resorts, Motels. Registered office of the subsidiary is situated at 20 Bilal Road, Civil Lines, Faisalabad in the province of Punjab.
- 1.3** The financial statements are presented in Pakistani Rupee, which is the Group's functional and presentation currency.

2. BASIS OF CONSOLIDATION

The financial statements of the Parent and Subsidiary are combined on a line by line basis. The financial statements of the Subsidiary are consolidated from the date on which more than 50% voting rights are transferred to or power to control the Subsidiary is established and are excluded from consolidation from the date of disposal or reduction of control.

All intra-Group balances, transactions and resulting unrealised profits, if any, are eliminated.

Non-controlling interest is that part of the net results of the operations and net assets of the Subsidiary attributable to interest which are not owned by the Parent.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan, and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) / International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Commission differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

3.2 Application of new and revised International Financial Reporting Standards (IFRSs)

3.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Group for the periods beginning on or after July 01, 2016 and therefore, have been applied in preparing these financial statements.

- **Amendments to IAS 1 Disclosure Initiative**

These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The application of standard has no significant impact on the Group's financial statements.

- **Amendment to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets"**

In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The application of standard has no significant impact on the Group's financial statements.

- **Annual improvements 2014**

These set of amendments impacts 3 standards:

IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.

IAS 19, 'Employee benefits' regarding discount rates.

IAS 34, 'Interim financial reporting' regarding disclosure of information.

The group has applied the amendments to IFRS's included in the annual improvements 2014 cycle in the current year.

The application of amendments has no significant impact on the disclosures or amounts recognized in the Group's financial statements.

3.2.2 Standards, amendments to standards and interpretations becoming effective in current year

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Group beginning on or after July 01, 2016 but are considered not to be relevant to the group's operations and are, therefore, not disclosed in these financial statements.

3.2.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after their respective effective dates:

- **IFRS 9 Financial Instruments (2014):**

IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition:

All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, standard requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective for accounting periods beginning on or after January 01, 2018. The management of the Group is reviewing the changes to evaluate the impact of application of standard on the financial statements.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2018. The Management is in the process of evaluating the impact of application of the standard on the Group's financial statements.

IFRS 16 Leases

Replaces the current IAS – 17 and requires lessees to recognize a lease liability reflecting future lease payments for virtually all lease contracts.

The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of standard is not expected to have any material impact on the Group's financial statements.

IAS 12 Income taxes

The amendments to IAS 12 address the issue of recognition of deferred tax assets for unrealized losses and clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments are effective for accounting period beginning on or after January 01, 2017. The application of standard is not expected to have any material impact on the Group's financial statements.

IAS 7 Statement of cash flows

The amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities

The amendment is effective for accounting period beginning on or after January 01, 2017. The application of amendments is not expected to have any material impact on the Group's financial statements.

IFRIC 22 Foreign currency transactions and advance consideration:

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group is yet to assess the full impact of the IFRIC.

This IFRIC is effective for accounting period beginning on or after January 01, 2018. The application of IFRIC is not expected to have any material impact on the Group's financial statements.

- Annual improvements 2014-2016

Annual Improvements to IFRSs through 2014-2016 cycle have been issued by IASB on December 08, 2016, amending the following standards:

IFRS 12: Disclosure of Interests in Other Entities

IAS 28: Investments in Associates and Joint Ventures.

The amendments are effective for accounting periods beginning on or after January 01, 2017 and January 01, 2019. The application of amendments is not expected to have any material impact on the Group's financial statements.

3.2.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

3.3 Basis of preparation

The financial statements have been prepared under the historical cost convention except: -

- Certain property, plant and equipment carried at valuation.
- Short term investments measured at fair value.

3.4 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost / valuation less accumulated depreciation and impairment in value, if any. Freehold land and capital work in progress are stated at valuation, cost less accumulated impairment in value, if any.

Depreciation is charged to income applying the reducing balance method at the rates specified in property, plant and equipment note 4.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. In respect of additions and disposals during the period, depreciation is charged from the month of acquisition or capitalisation and upto the month preceding the disposal respectively.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as a separate item of property, plant and equipment.

Normal repair and maintenance costs are charged to income during the period in which they are incurred. Major renewals and improvements are capitalised.

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent of reversal of deficit previously charged to income, in which case that portion of the surplus is recognised in income. Deficit on revaluation of an item of property, plant and equipment is charged to surplus on revaluation of that asset to the extent of surplus and any excess deficit is charged to income. On subsequent sale or retirement of revalued item of property, plant and equipment, the attributable balance of surplus is transferred to unappropriated profit through statement of comprehensive income. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit through statement of comprehensive income.

Non-operating land and building is stated at cost.

3.5 Intangible assets

These are stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets are amortised over a period of five years using straight line method.

Amortisation on additions during the year is charged from the month in which an asset is acquired or capitalised.

All costs / expenditure connected with software implementation are collected in computer softwares under implementation. These are carried at cost less impairment in value, if any and are transferred to specific assets as and when assets are available for intended use.

3.6 Investments

Investments are initially recognised / derecognised on trade date at cost being the fair value of consideration given including cash transaction. Trade date is the date that the Group commits to purchase or sell the investment. After initial recognition these are recognised and accounted for as follows:

Available for sale investments

Investment securities intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value are recognised in equity, through statement of comprehensive income, under fair value reserve until sold or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gain / loss on sale of investments is taken to income in the period in which it arises.

Investments at fair value through profit or loss

These are the investments which are classified as held for trading and are acquired principally for the purpose of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking. Investments designated at fair value through profit or loss upon initial recognition also include those group of investments which are managed and their performance evaluated on fair value basis in accordance with the Group's documented investment strategy.

After initial recognition, such investments are remeasured at fair value determined with reference to the year end quoted rates (equity shares and investments in units of closed end funds at respective stock exchange rates, while the units of open end funds at their declared net asset value per unit). Gains or losses on remeasurments of these investments are recognised in the profit and loss account.

3.7 Impairment

The Group assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indications exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant assets are carried at revalued amounts, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant assets are carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.9 Stores, spares and loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon.

3.10 Stock in trade

Stock in trade except wastes are valued at the lower of cost and net realisable value. Cost is determined as follows:

Raw material	Weighted average cost except items in transit which are valued at cost accumulated upto the balance sheet date.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost.

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sales. Average manufacturing cost represents cost of direct materials, labour and appropriate manufacturing overheads.

3.11 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the period end. Balances considered bad and irrecoverable are written off when identified. Other receivables are carried at nominal amount which is the fair value of the consideration to be received in future.

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value.

3.13 Trade and other payables

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

3.14 Provisions

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

3.15 Provision for taxation

Current taxation

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available under the law.

Deferred taxation

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

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

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

3.16 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

3.17 Foreign currency translation

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

3.18 Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and de-recognised when the Group loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the Group are disclosed in the individual policy statements associated with each item of financial instruments.

3.19 Offsetting of financial asset and financial liability

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Group has a legal enforceable right to offset the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.20 Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge its risk associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

3.21 Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from conversion receipts is recognised when services are rendered.

Interest income is recognised on time proportionate basis.

Dividend income from investments is recognised when the Group's right to receive payment has been established except dividend from associate accounted for using equity method which is recognised as a reduction of the carrying value of investment when the Group's right to receive payment has been established.

3.22 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

3.23 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 judgments about 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 an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory and taxation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

4. Property, plant and equipment

Operating assets:
non-operating lease and building
Capital work in progress
Advances against purchase of land
Advances for capital expenditures

Note	2017 Rupees	2018 Rupees
4.1	3,218,559,749	3,937,186,785
4.2	565,324,426	565,324,426
4.6	253,073,004	738,985,781
	11,899,000	3,598,000
	1,800,528	31,355,523
	6,050,853,205	5,207,821,495

4.1 Operating assets

	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Office equipment	Electric appliances	Furniture and fittings	Vehicles	Total
Rupees										
At July 01, 2015										
Cost valuation	596,464,364	959,721,958	2,245,748,289	133,074,158	32,287,970	11,702,645	4,975,229	5,731,481	46,936,780	4,071,740,835
Accumulated depreciation	-	(75,760,137)	(175,143,267)	(52,082,823)	(4,758,842)	(6,302,525)	(1,441,007)	(2,724,293)	(36,792,828)	(349,084,622)
Net book value	596,464,364	883,961,821	2,070,605,022	80,991,336	27,529,128	5,400,120	3,534,222	3,007,188	10,143,952	3,722,656,213
Year ended June 30, 2016										
Opening net book value	596,464,364	883,961,821	2,070,605,022	80,991,336	27,529,128	5,400,120	3,534,222	3,007,188	10,143,952	3,722,656,213
Additions	4,248,000	-	143,228,861	786,500	1,502,408	340,908	653,763	632,424	5,638,660	157,213,014
Transfer from capital work in progress	-	202,158,503	32,949,727	-	-	-	-	-	-	235,107,320
Disposals:										
Cost	-	-	(7,057,214)	-	(7,218)	-	(18,600)	-	(2,663,549)	(10,409,576)
Accumulated depreciation	-	-	31,965	-	23,148	-	6,702	-	2,120,204	2,182,059
	-	-	(7,025,249)	-	(4,069)	-	(11,898)	-	(543,345)	(8,226,620)
Depreciation charge	(67,644,366)	(108,593,900)	(8,169,008)	(8,169,008)	(2,813,833)	(557,665)	(381,758)	(349,295)	(3,694,130)	(159,604,042)
Closing net book value	600,772,364	1,079,076,048	2,127,561,371	73,006,828	25,115,335	5,125,413	3,292,412	3,493,317	17,545,057	3,937,186,785
At July 01, 2017										
Cost valuation	600,772,364	1,201,880,551	2,408,266,683	133,860,659	33,720,582	12,065,603	5,610,392	6,583,885	49,911,811	4,453,622,490
Accumulated depreciation	(89,000)	(122,804,503)	(281,705,292)	(60,281,831)	(7,840,627)	(6,040,199)	(1,016,960)	(3,073,348)	(32,366,794)	(516,505,705)
Net book value	600,772,364	1,079,076,048	2,127,561,371	73,608,828	25,879,955	6,025,404	4,593,432	3,510,537	17,545,057	3,937,186,785
Year ended June 30, 2017										
Opening net book value	600,772,364	1,079,076,048	2,127,561,371	73,608,828	25,879,955	6,025,404	4,593,432	3,510,537	17,545,057	3,937,186,785
Additions	89,000	3,450,000	43,903,040	19,054,261	1,584,415	5,574,254	5,423,623	982,945	21,119,353	101,579,881
Transfer from capital work in progress	-	106,745,030	371,828,117	-	-	-	-	-	-	539,374,137
Revaluation surplus	80,039,948	53,462,434	713,054,783	-	-	-	-	-	-	847,457,165
Disposals:										
Cost	-	-	(4,862,286)	-	-	(48,526)	(220,273)	-	(6,943,977)	(12,105,202)
Accumulated depreciation	-	-	1,156,393	-	12,290	12,290	95,162	-	5,835,268	7,139,253
	-	-	(3,705,893)	-	-	(37,236)	(125,104)	-	(1,108,709)	(5,046,112)
Depreciation charge	-	(60,055,339)	(122,563,619)	(6,796,364)	(2,811,138)	(4,918,457)	(757,702)	(362,125)	(5,016,394)	(200,951,082)
Closing net book value	681,795,312	1,242,676,143	3,130,727,805	83,030,725	24,027,212	10,043,165	8,133,218	3,001,167	32,530,107	5,118,559,749
At June 30, 2017										
Cost valuation	681,795,312	1,242,676,143	3,130,727,805	152,919,920	35,284,977	17,590,381	10,813,742	7,156,830	84,067,687	5,342,944,917
Accumulated depreciation	-	-	(68,988,146)	(68,988,146)	(10,357,763)	(7,546,351)	(2,479,494)	(3,465,672)	(31,847,690)	(124,385,160)
Net book value	681,795,312	1,242,676,143	3,130,727,805	83,930,725	24,027,212	10,043,165	8,334,248	3,691,157	32,220,197	5,218,559,749
Annual rate of depreciation (%)	-	5	5	10	10	10	10	10	10	20

4.2 This represents investment in site for proposed new Complex.

	Note	2017 Rupees	2016 Rupees
4.3 Depreciation for the year has been allocated as under:			
Cost of goods sold	23.1	194,924,177	165,002,992
Administrative expenses	27	6,026,910	4,601,050
		<u>200,951,087</u>	<u>169,604,042</u>

4.4 Had there been no revaluation, the carrying values of freehold land, building on freehold land and plant and machinery at June 30, 2017 and 2016 would have been as follows:

	Carrying value	
	2017 Rupees	2016 Rupees
Freehold land	149,477,863	148,584,863
Building on freehold land	1,150,693,951	1,038,450,118
Plant and machinery	2,153,251,325	1,849,742,478
	<u>3,453,423,139</u>	<u>3,036,777,459</u>

4.5 Detail of disposal of operating assets

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
----- Rupees -----					
Plant and machinery (by negotiation)	4,666,070	1,150,393	3,515,677	3,824,410	A.S.Traders, Small Industrial Estate Road, Faisalabad.
	286,216	46,000	240,216	36,600	AA Traders, Jinnah Colony, Faisalabad.
	<u>4,952,286</u>	<u>1,196,393</u>	<u>3,755,893</u>	<u>3,861,010</u>	
Office equipment (by negotiation)	49,526	12,290	37,236	5,000	Particulars of purchasers are not required to be disclosed as the written down value of each asset is less than Rs. 50,000/-.
Electric Appliances (by negotiation)	46,439	19,705	26,734	15,000	Particulars of purchasers are not required to be disclosed as the written down value of each asset is less than Rs. 50,000/-.
	86,917	39,015	47,902	10,000	
	(by negotiation)	86,917	36,449	50,468	30,000
	<u>220,273</u>	<u>95,169</u>	<u>125,104</u>	<u>65,000</u>	
Vehicles (under company policy)	65,529	49,483	16,046	26,841	Particulars of purchasers are not required to be disclosed as the written down value of each asset is less than Rs. 50,000/-.
	65,500	40,877	24,623	26,829	
	65,380	49,369	16,011	26,780	
	70,825	41,110	29,715	70,825	
	70,575	37,107	33,468	70,575	
(by negotiation)	<u>5,373,393</u>	<u>4,802,440</u>	<u>570,953</u>	<u>3,100,000</u>	Mr. Farooq Yousaf Ghurki, H# 29, 10 B-I, Township Lahore
(by negotiation)	1,252,075	815,012	437,063	850,000	Mr. Muhammad Qasim, S-5, Phase-III, DHA, Lahore.
	<u>6,963,277</u>	<u>5,835,398</u>	<u>1,127,879</u>	<u>4,171,850</u>	
2017	<u>12,185,362</u>	<u>7,139,250</u>	<u>5,046,112</u>	<u>8,092,860</u>	
2016	<u>10,409,579</u>	<u>2,182,959</u>	<u>8,226,620</u>	<u>2,353,075</u>	

4.6 Capital work in progress

	Civil work	Plant and machinery	Total
Note	Rupees		
Balance as at July 1, 2015	376,386,090	39,143,716	415,529,806
Additions	218,807,092	360,756,183	579,563,275
Transfer to operating assets	(202,158,593)	(32,948,727)	(235,107,320)
Balance as at June 30, 2016	393,034,589	366,951,172	759,985,761
Additions	66,781,835	4,676,945	71,458,880
Transfer to operating assets	(166,746,020)	(371,628,117)	(538,374,137)
Balance as at June 30, 2017	293,070,504	-	293,070,504

4.6.1 Additions in plant and machinery include finance cost of Rs. Nil (2016: Rs. 2.78 million) directly attributable to acquisition / installation of plant and machinery.

	Note	2017 Rupees	2016 Rupees
5. Intangible assets			
Computer software and license			
Cost		11,164,402	11,164,402
Accumulated amortisation		(7,983,304)	(5,750,424)
Written down value		<u>3,181,098</u>	<u>5,413,978</u>

5.1 Reconciliation of written down value

Opening written down value		5,413,978	3,354,216
Addition		-	3,962,439
Amortisation for the year	27	(2,232,880)	(1,902,677)
Closing balance		<u>3,181,098</u>	<u>5,413,978</u>

5.1.1 Amortisation rate is 20% per annum.

6. Stores, spares and loose tools

Stores		66,644,716	86,052,229
Spares	6.1	71,506,674	69,776,030
Loose tools		349,545	314,777
		<u>138,500,935</u>	<u>156,143,036</u>

6.1 Spares include items that may result in fixed capital expenditure but are not distinguishable.

	Note	2017 Rupees	2016 Rupees
7. Stock in trade			
Raw materials	7.1	1,441,535,919	765,703,389
Work in process		90,886,838	85,968,523
Finished goods	7.1	260,440,981	156,673,397
Waste		20,531,553	10,624,269
		<u>1,813,395,291</u>	<u>1,018,969,578</u>

7.1 Stock in trade amounting to Rs. 1,275.20 million (2016: Rs. 704.15 million) was pledged as security with the banking companies.

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	Note	2017 Rupees	2016 Rupees
8. Trade debts			
Considered good			
Secured			
Foreign		35,754,788	64,011,779
Unsecured			
Foreign		177,167,631	215,482,058
Local		474,424,769	352,996,369
		651,592,400	568,478,427
Considered doubtful			
Unsecured			
Local		61,632,959	61,632,959
Less: Provision for doubtful debts		(61,632,959)	(61,632,959)
		-	-
		<u>687,347,188</u>	<u>632,490,206</u>
9. Loans, advances and deposit			
Considered good			
Advances			
Employees		2,600,078	804,967
Suppliers		41,267,266	52,213,307
For purchases and expenses		2,909,901	14,506,965
Income tax		77,240,928	73,508,134
Letters of credit fee and expenses		5,805,094	2,952,514
		129,823,267	143,985,887
10. Other receivables			
Considered good			
Export rebate / duty drawback		17,725,720	17,722,946
Other		4,569,288	4,705,807
		<u>22,295,008</u>	<u>22,428,753</u>
11. Short term investment			
Financial assets at fair value through profit or loss			
Quoted securities			
Habib Metropolitan Bank Limited			
2,022,854 (2016: 2,022,854)			
Ordinary shares of Rs.10/- each		57,388,368	60,685,620
Adjustment in fair value		9,466,957	(3,297,252)
		<u>66,855,325</u>	<u>57,388,368</u>
12. Tax refunds due from Government			
Income tax		134,075,981	60,567,847
Sales tax		210,263,155	154,810,032
		<u>344,339,136</u>	<u>104,488,064</u>

	Note	2017 Rupees	2016 Rupees
13. Cash and bank balances			
Cash in hand		7,938,755	14,477,380
Cash at banks			
In current accounts		48,781,660	51,000,011
In PLS accounts	13.1	199,153	40,402
		<u>56,919,568</u>	<u>65,517,793</u>

13.1 Effective profit rate in respect of PLS accounts was 3.80% to 4.00% per annum (2016 : 3.75% to 4.00% per annum).

	Note	2017 Rupees	2016 Rupees
14. Trade and other payables			
Creditors		421,551,017	405,468,438
Accrued liabilities		104,079,921	92,861,489
Advance from customers		49,977,520	17,659,637
Payable to provident fund		6,707,707	6,961,481
Workers' profit participation fund	14.1	21,811,409	17,385,877
Unclaimed dividend		1,763,009	1,763,009
Withholding taxes		9,255,405	6,186,629
Others	14.2	31,598,240	31,598,240
		<u>646,744,228</u>	<u>579,884,800</u>

14.1 Workers' profit participation fund

Opening balance		17,385,877	7,872,427
Interest on funds utilised in the Group's business		419,476	198,961
		<u>17,805,353</u>	<u>8,071,388</u>
Paid to workers on behalf of the fund		(17,805,353)	(8,071,388)
Allocation for the year		21,811,409	17,385,877
		<u>21,811,409</u>	<u>17,385,877</u>

14.2 It includes exchange loss of Rs. 22,967,873/- (2016: Rs. 22,967,873/-) and early termination charges of Rs. 8,630,367/- (2016: 8,630,367/-) on cross currency swap. The Group has filed a suit against these charges and the case is pending before the Honourable Lahore High Court.

	Note	2017 Rupees	2016 Rupees
15. Interest / mark up payable			
Interest / mark up payable on:			
Short term borrowings		40,736,035	23,919,091
Long term finance		12,776,140	12,072,540
		<u>53,512,175</u>	<u>35,991,631</u>
16. Short term borrowings			
Secured			
From banking companies			
Export finances	16.2	960,500,000	896,600,000
Running finances	16.2	288,477,528	280,913,701
Cash finances	16.3	1,163,753,617	665,056,974
Un-secured			
From directors and associates	16.4	192,106,068	255,074,867
		<u>2,604,837,213</u>	<u>2,097,645,542</u>

16.1 The aggregate unavailed short term borrowing facilities available to the Group are Rs. 2,332.77 million (2016 : Rs. 2,282.46 million).

16.2 These are secured against first joint parri passu charge and ranking charge over present and future current assets of the Group, ranking charge over fixed assets of spinning and weaving unit, lien on export documents and by personal guarantee of directors of the Group. These are subject to mark up at the rates of one month KIBOR plus 1% to 1.5% per annum, three months KIBOR plus 1% to 3% per annum (2016: one month KIBOR plus 1% per annum, three months KIBOR plus 1% to 3% per annum) and SBP rate plus 1% to 1.5% per annum (2016: SBP rate plus 1% per annum).

The effective rate of mark up charged during the year ranges from 3.00% to 10.50% per annum (2016: 3.50% to 9.60% per annum).

16.3 These are secured against pledge of cotton, polyester, yarn and grey cloth. These are further secured by personal guarantee of directors of the Group. These are subject to mark up at the rates of one month KIBOR plus 1% to 1.50% per annum and three months KIBOR plus 1% to 1.50% per annum (2016: one month KIBOR plus 1% per annum and three months KIBOR plus 1% per annum).

The effective rate of mark up charged during the year ranges from 7.02% to 7.40% per annum (2016: 7.35% to 8.01%).

16.4 These are interest free.

	Note	2017 Rupees	2016 Rupees
17. Long term finance			
Secured			
From banking companies			
Under mark up arrangements			
Term finances	17.1	506,337,755	617,619,073
Diminishing Musharakah	17.1	95,717,396	100,000,000
		<u>602,055,151</u>	<u>717,619,073</u>
Less : Current portion			
Installments due		(37,500,000)	(9,943,466)
Payable within one year		<u>(237,847,248)</u>	<u>(160,375,471)</u>
		<u>(275,347,248)</u>	<u>(170,318,937)</u>
		<u>326,707,903</u>	<u>547,300,136</u>

17.1 The terms of repayment of finances are as under,

Nature of loans	Balance Rupees	Number of instalments		Payment rests	Commencement date	Ending date	Markup rate
		Total	Balance				
Term finances							
i	218,178,755	16	7	Quarterly	31-Mar-15	31-Dec-18	3 Months KIBOR + 1.5% p.a
ii	90,335,731	16	16	Quarterly	25-Jan-17	25-Mar-21	3 Months KIBOR + 1% p.a
iii	22,058,295	16	16	Quarterly	05-Aug-17	05-May-21	3 Months KIBOR + 1% p.a
iv	10,565,080	16	16	Quarterly	11-Oct-17	11-Jul-21	3 Months KIBOR + 1% p.a
v	58,768,823	16	16	Quarterly	13-Jan-18	13-Oct-21	3 Months KIBOR + 1% p.a
vi	84,616,000	16	16	Quarterly	27-Jan-18	27-Oct-21	3 Months KIBOR + 1% p.a
vii	5,400,000	16	16	Quarterly	20-May-18	20-Feb-22	3 Months KIBOR + 1% p.a
viii	16,435,495	16	14	Quarterly	31-Mar-17	31-Dec-20	3 Months KIBOR + 1% p.a
	<u>506,337,179</u>						
Diminishing Musharakah							
i	47,108,800	12	11	Quarterly	09-May-17	09-Feb-20	3 Months KIBOR + 1.25% p.a
ii	48,608,796	12	12	Quarterly	09-Aug-17	09-May-19	3 Months KIBOR + 1.25% p.a
	<u>95,717,396</u>						

The loans are secured against first charge over fixed assets of spinning and weaving unit of the Group. It is further secured by the personal guarantee of directors of the Group. The aggregate unavailed facility available to the Group is Rs. 519.95 million (2016: Rs. 423 million.)

Effective markup rates charged during the year ranges from 4.00% to 7.65% per annum (2016: 7.08% to 8.51%.)

	2017 Rupees	2016 Rupees
18. Deferred taxation		
Opening balance	54,617,692	41,634,106
(Reversal) of deferred tax related to: Incremental depreciation on revalued assets	(3,514,435)	(3,396,416)
Provision of deferred tax on surplus Provided during the year	168,157,489	3,172,045
	<u>197,258,415</u>	<u>13,207,957</u>
	<u>416,519,161</u>	<u>54,617,692</u>

18.1 It represents the following:

Deferred tax liability: Difference between accounting and tax bases of assets	547,865,327	315,656,415
Deferred tax asset: Carry forward tax credits and losses	(131,346,166)	(261,038,723)
	<u>416,519,161</u>	<u>54,617,692</u>

19. CONTINGENCIES AND COMMITMENTS

Contingencies

Bank guarantees issued in favour of:		
Sui Northern Gas Pipelines Limited for supply of gas	43,788,000	30,560,500
Faisalabad Electric Supply Company Limited for supply of electricity	17,021,760	17,021,760
Punjab Power Development Board for bidding of hydropower generation project	2,025,000	2,025,000
Indemnity bonds issued in favour of collector of customs / sales tax, Faisalabad to avail exemption of sales tax and custom duty on imported raw material / machinery	66,050,261	168,181,383
Demand of social security contribution regarding prior years by Punjab Social Security Institute. Matter is pending in the Honourable Civil Court, Faisalabad.	4,192,808	2,780,528
Income tax demand not acknowledged due to pending appeals	106,950,491	116,039,660
Sales tax demand not acknowledged due to pending appeals	22,474,250	13,528,956
Liability of workers' welfare fund not acknowledged. The Parent Company is claiming exemption from the levy.	-	29,737,775

Commitments

Under letters of credit for raw material and spare parts	343,950,652	66,831,878
Under contracts for purchase of land	202,412,630	351,472,255

20. Share capital

20.1 Authorised capital

2016	2017		2017	2016
Number of shares			Rupees	Rupees
<u>220,000,000</u>	<u>220,000,000</u>	Ordinary shares of Rs. 10/- each.	<u>2,200,000,000</u>	<u>2,200,000,000</u>

20.2 Issued, subscribed and paid up capital

2016	2017		2017	2016
Number of shares			Rupees	Rupees
89,462,580	89,462,580	Ordinary shares of Rs. 10/- each fully paid in cash.	894,625,800	894,625,800
23,041,604	23,041,604	Ordinary shares of Rs.10/- each issued as fully paid shares as per scheme of arrangement for amalgamation sanctioned by the Court.	230,416,040	230,416,040
53,228,370	53,228,370	Ordinary shares of Rs.10/- each issued as fully paid bonus shares.	532,283,700	532,283,700
-	16,573,255	Ordinary shares of Rs.10/- each issued during the year as fully paid bonus shares.	165,732,550	-
<u>165,732,554</u>	<u>182,305,809</u>		<u>1,823,058,090</u>	<u>1,657,325,540</u>

21. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Surplus on revaluation of property, plant and equipment at the beginning of the year	770,632,324	787,392,583
Surplus arisen on revaluation carried out during the year	847,457,165	-
Transferred to unappropriated profit in respect of : Incremental depreciation	(16,400,368)	(16,760,259)
Surplus on revaluation of property, plant and equipment as at June 30,	1,601,689,121	770,632,324
Related deferred tax liability on:		
Revaluation at the beginning of the year	64,531,888	64,756,259
Deferred tax relating to: Incremental depreciation	(3,514,435)	(3,396,416)
Deferred tax provided during the year	168,157,489	3,172,045
	<u>229,174,942</u>	<u>64,531,888</u>
	<u>1,372,514,179</u>	<u>706,100,436</u>

21.1 Latest revaluation of freehold land, building on freehold land and plant and machinery was carried out by independent valuers M/S Joseph Lobo (Pvt) Limited as at June 30, 2017. Freehold land, building on freehold land and plant and machinery were revalued on market value basis.

	Note	2017 Rupees	2016 Rupees
22. Sales			
Export			
Cloth / made ups	22.1	1,766,454,834	1,958,877,301
Local			
Yarn		5,911,274,069	4,550,902,707
Cloth		41,965,828	2,634,389
Waste and left over		266,394,449	184,842,063
Conversion receipts		22,573,483	27,444,272
		<u>6,242,207,629</u>	<u>4,765,823,431</u>
		8,008,662,463	6,724,700,732
Add: Export rebate / duty drawback		1,463,442	7,566,940
		<u>8,010,125,905</u>	<u>6,732,267,672</u>
Less: Commission and claims		42,014,187	33,067,981
		<u>7,968,111,718</u>	<u>6,699,199,691</u>
22.1	It includes exchange gain of Rs. 2,495,734/- (2016: Rs. 2,733,109/-)		

	Note	2017 Rupees	2016 Rupees
23. Cost of sales			
Cost of goods manufactured	23.1	7,273,212,862	6,069,406,865
Finished goods			
Opening stock		167,297,666	138,114,737
Closing stock		(280,972,634)	(167,297,666)
		<u>(113,674,868)</u>	<u>(29,182,929)</u>
		<u>7,159,537,994</u>	<u>6,040,223,936</u>

23.1. Cost of goods manufactured

Raw material consumed	23.1.1	5,552,705,744	4,520,934,348
Packing material consumed		77,520,634	63,871,806
Salaries, wages and benefits		555,401,881	525,482,163
Retirement benefits		19,755,900	18,904,364
Stores and spares consumed		238,873,028	285,237,264
Fuel and power		604,622,565	465,980,094
Repairs and maintenance		14,958,639	12,908,890
Insurance		13,911,563	10,036,998
Depreciation	4.3	194,924,177	165,002,992
Other		5,457,046	5,865,514
		<u>7,278,131,177</u>	<u>6,074,224,433</u>
Work in process			
Opening stock		85,968,523	81,150,955
Closing stock		(90,886,838)	(65,968,523)
		<u>(4,918,315)</u>	<u>(4,817,568)</u>
		<u>7,273,212,862</u>	<u>6,069,406,865</u>

23.1.1 Raw material consumed

Opening stock	765,703,389	657,633,216
Purchases including purchase expenses	6,228,538,274	4,629,004,521
	<u>6,994,241,663</u>	<u>5,286,637,737</u>
Closing stock	(1,441,535,919)	(765,703,389)
	<u>5,552,705,744</u>	<u>4,520,934,348</u>

	Note	2017 Rupees	2016 Rupees
24. Trading profit			
Sale of cotton / polyester		77,941,131	212,224,407
Cost of sales		75,701,442	209,766,544
		<u>2,239,689</u>	<u>2,457,863</u>
25. Other income			
Income from financial assets:			
Profit on deposits		3,732,251	100,479
Dividend		6,068,562	8,091,416
Adjustment in fair value		9,466,957	-
Income from assets other than financial assets:			
Scrap sales		1,147,826	7,524,086
Gain on disposal of operating assets		3,046,748	-
Balances written back		214,533	15,032,500
		<u>23,676,877</u>	<u>30,748,481</u>
26. Distribution cost			
Ocean freight		46,146,277	58,239,918
Local freight		11,012,979	12,222,897
Clearing and forwarding		39,281,230	36,626,172
Export development surcharge		4,545,214	4,832,409
Insurance		543,744	485,545
Other		2,815,924	2,691,565
		<u>95,345,368</u>	<u>115,098,506</u>
27. Administrative expenses			
Director's remuneration		1,785,000	1,980,000
Staff salaries and benefits		47,082,073	39,391,404
Retirement benefits		3,390,842	2,905,250
Postage and telecommunication		3,281,656	3,945,071
Vehicles running and maintenance		11,779,017	12,211,268
Travelling and conveyance		4,582,172	3,404,815
Printing and stationery		1,168,951	811,443
Electricity and gas		2,054,846	1,685,467
Fees, subscriptions and periodicals		3,082,358	8,986,424
Advertisement		108,866	195,800
Insurance		161,124	1,002,363
Auditors' remuneration	27.1	1,307,000	1,307,000
Legal and professional		1,254,317	2,389,376
Rent, rates and taxes		890,028	464,228
Entertainment		1,915,962	101,329
Depreciation	4.3	6,026,910	4,601,050
Amortisation of intangible assets	5.1	2,232,880	1,902,677
Other		3,934,467	3,790,148
		<u>96,038,459</u>	<u>91,075,113</u>
27.1 Auditors' remuneration			
Audit fee		1,030,000	1,030,000
Sundry services		277,000	277,000
		<u>1,307,000</u>	<u>1,307,000</u>

	2017 Rupees	2016 Rupees
28. Other operating expenses		
Workers' profit participation fund	21,811,409	17,385,877
Adjustment in fair value	-	3,297,252
Loss on disposal of property, plant and equipment	-	5,873,545
	<u>21,811,409</u>	<u>26,556,674</u>
29. Finance cost		
Interest / mark up on:		
Short term borrowings	152,456,775	99,185,442
Long term finance	46,972,390	37,263,481
Workers' profit participation fund	419,476	198,961
Bank charges and commission	7,064,330	3,424,449
	<u>206,912,971</u>	<u>140,072,333</u>
30. Provision for taxation		
Current		
for the year		
for prior year		(111,087)
Deferred		
	<u>197,258,415</u>	<u>13,207,957</u>
	<u>197,258,415</u>	<u>13,096,870</u>

30.1 Relationship between tax expense and accounting profit

Reconciliation between accounting profit and tax expense has not been presented in these financial statements as no provision for current taxation has been made due to tax credits available under the law.

	2017	2016
31. Earnings per share - Basic and diluted		
Profit for the year attributable to shareholders of the Parent (Rupees)	<u>217,123,658</u>	<u>306,282,603</u>
Weighted average number of ordinary shares outstanding during the year	<u>182,305,809</u>	<u>182,305,809</u>
Earnings per share - Basic and diluted (Rupees)	<u>1.19</u>	<u>1.68</u>

31.1 There is no dilutive effect on the basic earnings per share of the Group.

32. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2017			2016		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
Remuneration	768,000	374,400	32,069,760	768,000	499,200	31,665,920
House rent allowance	345,600	168,480	14,431,392	345,600	224,640	14,249,664
Medical allowance	76,800	37,440	3,206,976	76,800	49,920	3,166,592
Utilities allowance	9,600	4,680	400,872	9,600	6,240	395,824
	<u>1,200,000</u>	<u>585,000</u>	<u>50,109,000</u>	<u>1,200,000</u>	<u>780,000</u>	<u>49,478,000</u>
Number of persons	1	1	45	1	1	47

32.1 Chief Executive Officer of is entitled to free use of the Parent Company maintained vehicle. The monetary value of running and maintenance is Rs. 1,607,464/- (2016: Rs. 1,425,953/-). The Directors have waived off their meeting fee.

33. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The Group in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and key management personnel. Amounts due to related parties are shown under the relevant notes to the financial statements. Remuneration to Chief Executive Officer, Director and Executives is disclosed in Note 32. There are no other significant transactions with related parties.

		2017	2016
34. DISCLOSURE WITH REGARD TO PROVIDENT FUND			
Size of the fund	(Rupees)	87,767,093	86,533,821
Cost of investment made	(Rupees)	-	-
Percentage of investment made	(Percentage)	0.00%	0.00%
Fair value of investment	(Rupees)	-	-

34.1 These figures are based on the un-audited financial statements of the provident fund.

	2017	2016
35. NUMBER OF EMPLOYEES		
Total number of employees as at June 30	1176	1111
Average number of employees during the year	1134	1100

	2017	2016
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36. PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning

Number of spindles installed	75,552	67,104
Number of spindles worked	75,552	67,104
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	31,755,175	27,546,955
Actual production of yarn after conversion into 20/s count (Kgs)	31,446,125	27,263,890

Weaving

Number of looms installed	280	280
Number of looms worked	280	280
Number of shifts per day	3	3
Annual production capacity converted into 60 picks (Square Meters)	42,536,384	42,536,384
Actual production converted into 60 picks (Square Meters)	35,698,954	37,811,480

36.1 Reasons for shortfall:

- It is difficult to determine precisely the production / related capacity since it fluctuates widely depending on various factors such as speed, width and quality etc.
- The actual production is planned to meet the market demand.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimise risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

	2017 Rupees	2016 Rupees
37.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets at amortised cost:		
Long term deposits	4,450,142	4,450,142
Trade debts	687,347,188	632,490,206
Loans, advances and deposit	2,600,078	804,967
Other receivables	4,569,288	4,705,807
Cash and bank balances	56,919,568	65,517,793
	<u>755,886,264</u>	<u>707,968,915</u>
Financial asset at fair value:		
Short term investments	<u>66,855,325</u>	<u>57,388,368</u>
Financial liabilities at amortised cost:		
Trade and other payables	565,699,894	538,652,657
Interest / mark up payable	53,512,175	35,991,631
Short term borrowings	2,604,837,213	2,097,645,542
Long term finance	602,055,151	717,619,073
	<u>3,826,104,433</u>	<u>3,389,908,903</u>

37.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Group's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Group are explained below:

37.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows:

	2017 Rupees	2016 Rupees
Long term deposits	4,450,142	4,450,142
Trade debts	687,347,188	632,490,206
Loans, advances and deposit	2,600,078	804,967
Other receivables	4,569,288	4,705,807
Bank balances	48,781,660	51,000,011
	<u>747,748,356</u>	<u>693,451,133</u>

Due to Parent Company's long standing relations with counterparties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Parent except trade debts considered doubtful.

For trade debts credit quality of the customer is assessed, taking into consideration its financial position and previous dealings. Individual credit limits are set. The management regularly monitor and review customers credit exposure. The aging of trade debts as at balance sheet date is as under:

	2017 Rupees	2016 Rupees
Not past due	679,432,624	625,676,502
Past due	69,547,523	68,446,663
Less: Provision for doubtful debts	(61,632,959)	(61,632,959)
	<u>7,914,564</u>	<u>6,813,704</u>
	<u>687,347,188</u>	<u>632,490,206</u>

Appropriate provision has been made in respect of past due trade debts considered doubtful. The credit risk exposure is limited in respect of bank balances as these are placed with local banks having good credit rating from international and local credit rating agencies.

37.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and maintaining adequate reserve borrowing facilities. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2017 and June 30, 2016.

	2017					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
-----Rupees in thousand-----						
Financial liabilities:						
Trade and other payables	565,700	565,700	565,700	-	-	-
Interest / mark up payable	53,512	53,512	53,512	-	-	-
Short term borrowings	2,604,837	2,713,483	2,713,483	-	-	-
Long term finance	602,055	630,961	128,680	142,903	359,378	-
	3,826,104	3,963,656	3,461,375	142,903	359,378	-
-----Rupees in thousand-----						
	2016					
	Carrying amount	Contractual cash flows	*Six months or less	Six to twelve months	Two to five years	More than five years
-----Rupees in thousand-----						
Financial liabilities:						
Trade and other payables	538,653	538,653	538,653	-	-	-
Interest / mark up payable	35,992	35,992	35,992	-	-	-
Short term borrowings	2,097,646	2,185,678	2,185,678	-	-	-
Long term finance	717,619	789,313	98,108	95,325	525,545	70,335
	3,389,910	3,549,636	2,858,431	95,325	525,545	70,335

The contractual cash flows relating to mark up have been determined on the basis of weighted average mark up rates on borrowings. The Group will manage the liquidity risk from its own source through working capital management. As at the year end, the Group has liquid assets of Rs.1,177.83 million (2016: Rs. 1,120.05 million) and unavailed borrowing facilities of Rs. 2,332.77 million (2016: Rs.2,282.46 million).

37.2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Parent 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 returns.

i) Interest rate risk

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

Majority of interest rate risk arises from borrowings from banks. The interest rate profile of the Group's interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period.

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 effect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs.9.97 million (2016: Rs. 6.82 million).

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Parent Company is exposed to currency risk on foreign debtors. The total foreign currency risk exposure on reporting date amounted to Rs. 212.93 million (2016: Rs. 274.38 million).

At June 30, 2017, had the currency been weakened / strengthened by 5% against the U.S dollar and Euro, with all other variables held constant, profit for the year and equity would have been higher / lower by Rs.10.65 million (2016: Rs. 14.02 million).

iii) Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. At the balance sheet date the Group is exposed to equity price risk in respect of short term investments. The total equity price risk exposure on reporting date amounted to Rs. 66.86 million (2016: Rs. 57.39 million).

At June 30, 2017, had the quoted securities prices been increased / decreased by 5%, with all other variables held constant, short term investments and equity would have been higher / lower by Rs. 3.34 (2016: Rs. 2.87 million).

37.3 Fair values of financial instruments

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

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.

37.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Group manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements, and expectations of the shareholders. Debt is calculated as total of long term finance and short term borrowings. Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves' and net debt (net of cash and cash equivalent).

The salient information relating to capital risk management of the Group as of June 30, 2017 and 2016 were as follows:

	Note	2017 Rupees	2016 Rupees
Total Debt	16 & 17	3,206,892,364	2,815,264,615
Less: Cash and bank balances		56,919,568	65,517,793
Net Debt		3,149,972,796	2,749,746,822
Total equity		3,467,958,584	3,234,422,334
Total capital		6,617,931,380	5,984,169,156
Gearing ratio		47.60%	45.95%

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 09, 2017 by the Board of Directors of the Group.

39. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The board of directors of Parent Company in its meeting held on October 9, 2017 proposed bonus shares at the rate of 5% subject to the approval of members at the forthcoming Annual General Meeting to be held on October 31, 2017.

40. NOMENCLATURE

Nomenclature of "Advances to contractors" has been changed to "Advances for capital expenditures" in Note 4 for better presentation.

Nomenclature of "Capital work in progress" has been changed to "Non-operating land and building" in Note 5 for better presentation.

41. GENERAL

41.1 Re-arrangement

Capital work in progress under the head of Property, plant and equipment includes an amount Rs. 565,324,426 in last financial year in respect of "Non-operating land and building". This amount is grouped in the "Non-operating land and building" to reflect more appropriate presentation.

41.2 Figures have been rounded off to the nearest Rupee except where mentioned rounding off in Rupees in thousands.


CHIEF EXECUTIVE OFFICER


DIRECTOR



Please affix here
Revenue stamp
of rupees five
and sign across

FORM OF PROXY

I/we of being member(s) of Zahidjee Textile Mills Limited entitled to vote and holder of ordinary shares as per Registered Folio No. do hereby appoint Mr. / Ms. of who is/is not a member of the company vide Registered Folio No. of failing him/her Mr./Ms. of Who is/is not a member of the Company, vide Registered Folio No. as my/our proxy in my/our absence to Speak and vote for me/us and on my/our behalf at the 28th Annual General Meeting of the Company to be held at Registered office 2H, Gulberg II, Jail Road, Lahore on Tuesday October 31, 2017 at 09:00A.M and at any adjournment thereof. As witness my/our hand this day of 2017 Signed by said in the presence of

Date: Member's Signature

Place:

Witness's Name

Witness's Name:

Witness's Signature

Witness's Signature

Witness's CNIC

Witness's CNIC:

Important:

effective

1. This proxy form in order to be effective must be deposited duly completed at Head Office of the Company at 2H, Gulberg II, Jail Road, Lahore not less than 48 hours before the time of holding the meeting
2. **For attending meetings:**
 - In case of individuals, the account holders or sub-account holders and / or the persons whose shares are in group accounts and their registration details are uploaded as per CDC regulations shall authenticate their identity by showing their original Computerized National Identity Cards (CNICs) or original passports at the time of attending meeting.
 - In case of corporate entities, the Board of Directors Resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of meeting.
3. **For appointing proxies:**
 - In case of individual, the account holders or sub account holders and / or the persons whose share in group accounts and their registration details are uploaded as per CDC regulations shall submit the proxy forms accordingly
 - The proxy shall witnessed by two persons whose name, addresses and CNIC numbers shall be mentioned on the form.
 - The proxy shall produce their original CNIC or original passport at the time of the meeting
 - In case of corporate entities, the Board of Directors resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.