

Annual Report 2018



ZAHIDJEE



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/

Mr. Naveed Ashraf

Chief Financial Officer

Mr. Anwar-ul-Haq

Share Registrar

Corptec Associates (Private) Limited
503-E, Johar Town, Lahore
Tel: 042-35170335-6 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

Allied Bank Limited
Askari Commercial Bank Limited
Bank Al-Falah Limited
Faysal Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Summit Bank Limited
The Bank of Punjab
United 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, Tandlian wala Road,
Faisalabad.
- M-3 Industrial City,
Sahianwala, Faisalabad.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 29th Annual General Meeting (AGM) of the shareholders of ZAHIDJEE TEXTILE MILLS LIMITED ("the Company") will be held at 10:30 A.M on Friday, the 26st October 2018 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, 2018 together with the Directors and Auditors reports thereon.
3. To appoint auditors for the year 2018-19 and to fix their remuneration.
4. To approve final dividend in cash @ 3.5% i.e. Rs. 0.35 per share of Rs.10 each as recommended by the Board of Directors.
5. To transact any other business with the permission of the chair.

SPECIAL BUSINESS:

6. To consider and approve the fixation / increase in gross remuneration of the whole time working directors including Chief Executive of the Company.

Lahore
Dated: October 05, 2018

NAVEED ASHRAF
Company Secretary

NOTES:

- i. The share transfer books of the Company shall remain closed from October 19, 2018 to October 26, 2018 (both days inclusive). Transfers received in order at Company's registrar, M/S Corptec Associates (Private) Limited, 503-E, Johar Town, Lahore up to close of business on October 18, 2018 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 dully 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. 6 APPROVAL OF REMUNERATION OF DIRECTORS**

Presently the Chief Executive of the Company is drawing an amount of Rs. 150,000 and Miss Mahreen Zahid Rs. Nil. No other director is being paid any remuneration or meeting fee. The Board of Directors in their Meeting held on June 04, 2018 has recommended payment of the following remuneration to Chief Executive and full time Directors of the Company with effect from July 2018 without any change in the other prevailing term and conditions of service.

Approval of shareholders is sought to pass with or without modification the following resolution.

“Resolved that the gross salaries of the whole time working Directors and Chief Executive be and hereby revised with effect from July 2018 as follows:

	Designation	Current salary	Revised Salary
Muhammad Zahid	Chief Executive	150,000	400,000
Mahreen Zahid	Director	Nil	300,000

While other prevailing terms and conditions of service will remain unchanged”.

The above Directors have interest in the aforesaid business to the extent of their remuneration and perquisites as shown above.

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, 2018.

Over view

The principal business activity of your company is manufacturing of yarn, fabric and made ups. The business of the Company is mainly exposed to price increase in raw material and exchange rate fluctuations, which may affect its performance. The energy cost is still higher than regional competitors in addition to increased prices of raw material, due to demand supply gap and abrupt devaluation of Pak Rupee, increased uncertainties, political instabilities and innovative taxes and levies, which have made it difficult for the industry to take a long term view over their operations. Despite political instabilities, abrupt devaluation of currency, thin profit margin and fierce competition with regional competitors, your Company, due to the consistent efforts of the management and the return from strategic investments, has managed to get the better positive bottom lines as compared to the preceding year.

Financial Performance

	2018 Rupees	2017 Rupees
Profit before taxation	574,963,691	414,416,771
Provision for taxation	249,035,886	197,258,415
Profit for the year	325,927,805	217,158,356
Earnings per share – Basic and diluted	1.70	1.13

Your company's sales recorded a rise from Rs. 7,968 million last year to Rs. 10,329 million and increase in profit before tax from 414.416 million of last year to Rs. 575.964 million this year. Increase in sales is attributable to increased production due to installation of 17,472 additional spindles. Production of yarn bags has been increased, due to which we obtained significant increase in profitability. Efficient working of mills is also an important factor. The net profit of the company increase from Rs.217.158 million to Rs. 325.928 million that also contributed the healthy impact on balance sheet and also improve the current ratio and liquidity of the company.

Dividend and bonus shares

The board of directors in its meeting held on October 5, 2018 proposed cash dividend at the rate of 3.5% i.e. Rs. 0.35 per share of Rs.10 each subject to the approval of members at the forthcoming Annual General Meeting to be held on October 26, 2018.

Board of Directors

During the year no 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 Four Board meetings were held. Attendance by each director is appended below:-

S.NO.	NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
1	Mr. Muhammad Sharif	4
2	Mr. Muhammad Zahid	4
3	Mst. Shaista Balquees	4
4	Mst. Huma Zahid	4
5	Ms. Mahreen Zahid	4
6	Brig. (R) Wali Muhammad	4
7	Mr. Muhammad Jamshaid	4

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:

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.

			NO. OF MEETINGS ATTENDED
Brig. (R) Wali Muhammad	Independent Director	Chairman	4
Huma Zahid	Non-Executive Director	Member	4
Muhammad Jamshaid	Non-Executive Director	Member	4

HR & Remuneration Committee

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

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

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.

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, 2018 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 2018 - 2019.

Future Outlook

With the Grace of Almighty Allah our Spinning project of 50,784 Spindles has been completed and running at its full capacity with excellent quality, we are going to add further card machines in unit no. 8 to enhance our yarn bags production, this additional production will be available at very low labor and electric cost, and ultimately it will improve profitability. We also intend to automation of simplex and ring system and have planned bobbin transport system. With this automation substantial saving of labor will be there. In next step we also planned for BMR of our spinning unit no 1 and 2 running for poly cotton yarn with this BMR we will be able to produce excellent quality poly cotton yarn with reduced labor and electric cost. After implementation of all these plan there will be positive impact on the bottom line of the Company.

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 05, 2018
Lahore

MUHAMMAD ZAHID
Chief Executive Officer

ویب ریفرنس:

مورخہ 10 جون 2014 SRO 634(1)2014 کے تحت کمپنی کی فنکشنل ویب سائٹ www.zahidjee.com ہے۔ جس پر سہ ماہی، شش ماہی اور سالانہ اکاؤنٹس رپورٹس اپ لوڈ کیے جاتے ہیں۔

تعلق دار افراد:

تعلق دار افراد سے معاملات شفافیت سے کیے جاتے ہیں۔ قیمتوں کا تعین آزادانہ مقابلہ کے طریقہ سے کیا جاتا ہے۔

ہیومن ریسورس مینجمنٹ:

ہماری کامیابی میں مصمم ارادے کا بڑا عمل دخل ہے۔ شاندار انسانی وسائل کے حصول کے لئے خرچ کرنا ہماری پالیسی ہے۔ انسانی وسائل کے لئے مسلسل سیکھنے کا ماحول مہیا کیا جاتا ہے تاکہ نئے خیالات سے استفادہ کیا جاسکے۔

شمیر ہولڈنگ کا نمونہ:

30 جون 2018ء کو شمیر کی پوزیشن کا جدول رپورٹ میں شامل ہے۔

آڈیٹرز:

سبکدوش ہونے والے آڈیٹرز آرمس ایم او ایس حیدرلیاقت نعمان چارٹرڈ اکاؤنٹنٹس نے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ آڈٹ کمیٹی نے 2018-19 کے لئے ان کی دوبارہ تقرری کی سفارش کی ہے۔

مستقبل کا اندازہ:

اللہ تعالیٰ کی مہربانی سے ہمارا نیا پروجیکٹ 50,784 سپینڈلز کے مکمل ہونے کے بعد مکمل استعداد سے کام کر رہا ہے۔ سوت کی پیداوار میں اضافے کے لئے مزید یونٹ نمبر 8 میں کارڈز لگائے جا رہے ہیں اضافی پیداوار بجلی اور مزدوری کی کم لاگت سے آئے گی جس سے منافع میں اضافہ ہوگا۔ سہلیکس اور رنگ کی Automation بھی کی جا رہی ہے جس کی مدد سے لاگت میں کمی آئی گی اور پیداوار زیادہ ہوگی اور ان سب منصوبوں کی تکمیل کے بعد کمپنی کے منافع میں اضافہ ہوگا۔ جس سے لیبر کی بچت ہوگی۔ کمپنی کے یونٹ 1,2 جو کہ پی سی سوت تیار کرتی ہے ان میں BMR کی منصوبہ بندی بھی کی جا رہی ہے مجموعی طور پر کمپنی کا مستقبل امید افزا ہے اور آنے والے وقت میں شمیر 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 کسٹمر، بینکرز، مالی اداروں، ریگولیٹرز اور شمیر ہولڈرز سے ہر طرح کا تعاون ملا اور امید کرتے ہیں کہ یہ تعاون اور مدد مستقبل میں بھی جاری رہے گی۔ ڈائریکٹرز کمپنی کے شاف اور ورکرز کی شاندار روز محنت کا اعتراف کرتے ہیں جسکی وجہ سے کامیابی حاصل ہوئی۔

2	ہما زاہد	چیئر مین	غیر افسر ڈائریکٹر	1
2	محمد جمشید	ممبر	غیر افسر ڈائریکٹر	2
2	مہرین زاہد	ممبر	غیر افسر ڈائریکٹر	3

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک:

- مندرجہ ذیل معاملات کے لئے ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس سیورٹی اینڈ ایگزیکٹو 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 سٹیٹمنٹ شفافیت کے ساتھ اسٹیٹ آف افیئرز، آپریشنز کے نتائج، کیش کا بہاؤ اور ایکویٹی میں تبدیلیوں کو پیش کرتی ہے۔
- کمپنی اکاؤنٹ کی کتب باقاعدہ تیار رکھتی ہے۔
- مالیاتی سٹیٹمنٹ کی تیاری کے لئے 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 اکاؤنٹنگ، فنانشل رپورٹنگ اسٹینڈرڈز پر مالیاتی اسٹیٹمنٹس کی تیاری میں عمل درآمد کیا جاتا ہے۔
- اندرونی کنٹرول کا نظام بہترین انداز میں مرتب کیا گیا ہے۔ موخر انداز میں لاگو کیا گیا ہے۔ اور ساتھ ساتھ باقاعدہ اسکی 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 ڈیپارچر میٹریل نہیں کیا جاتا۔
- کارپوریٹ گورننس پر عمل درآمد کی رپورٹ دی گئی ہے۔ اور پچھلے چھ سال کے مالیاتی خاص اعداد و شمار بھی دئے گئے ہیں۔

کمپنی کے حصص میں کاروبار:

ڈائریکٹرز، چیف ایگزیکٹو آفیسر، کمپنی سیکریٹری اور ان کے بیوی بچوں نے کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی۔

ماحول اور تحفظات

کمپنی ماحول اور تحفظات کے لئے بنائے گئے اصولوں پر سختی سے عمل درآمد کرتی ہے اور یہ ماحول دوست پالیسیوں کا احترام بھی کرتی ہے۔

ادارہ جاتی سماجی ذمہ داری:

اپنی کمپنی سماجی ذمہ داری کو خوب سمجھتی 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۔ ملازمین کو صحت مندانہ حفاظتی ماحول فراہم کیا جاتا ہے۔ انھیں ٹریننگ کورسز، سیمینار، ورکشاپ، کانفرنس میں بھی بھیجا جاتا ہے۔

بورڈ آف ڈائریکٹرز:

بورڈ آف ڈائریکٹرز میں رواں سال میں کوئی عارضی آسامی پیدا نہیں ہوئی اور بورڈ آف ڈائریکٹرز کی تعداد میں کوئی تبدیلی نہیں ہوئی۔

بورڈ کا اجلاس:

رواں سال 4 بار بورڈ کا اجلاس ہوا ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہے۔

نمبر شمار	نام ڈائریکٹر	اجلاس میں شریک ہونے کی تعداد
1-	مسٹر محمد شریف	4
2-	مسٹر محمد زاہد	4
3-	مسماٹ شائستہ بلقیس	4
4-	مسماٹ ہما زاہد	4
5-	مس مہرین زاہد	4
6-	برگینڈیر (ریٹائرڈ) ولی محمد	4
7-	مسٹر محمد جمشید	4

آڈٹ کمیٹی:

بورڈ آف ڈائریکٹرز نے کارپوریٹ گورننس کوڈ کے تحت ایک آڈٹ کمیٹی قائم کی اور مندرجہ ذیل ڈائریکٹرز آڈٹ کمیٹی کے ممبران ہیں۔

حاضری

1-	آزاد ڈرائیوٹریکٹر	چیئرمین	برگینڈیر (ریٹائرڈ) ولی محمد	4
2-	غیر آفسر ڈائریکٹر	ممبر	ہما زاہد	4
3-	غیر آفسر ڈائریکٹر	ممبر	محمد جمشید	4

آڈٹ کمیٹی کا اجلاس ہر تین ماہ میں کم از کم ایک بار منعقد ہوا اور یہ اجلاس کمپنی کے حتمی نتائج سے پہلے منعقد ہوئے ان اجلاس میں سی ایف او، انٹرنل آڈٹ کے سربراہ اور ایکسٹرنل آڈیٹر نے جب درکار ہوا شمولیت اختیار کی۔

بیچ آرائینڈ پیج کمیٹی:

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز نے HR&R کمیٹی قائم کی کمیٹی اس طرح ترتیب دی گی ہے میٹنگ کی حاضری مندرجہ ذیل ہے۔

ممبران کیلئے ڈائریکٹرز رپورٹ

اللہ تعالیٰ کی مہربانی سے میں بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی آڈیٹڈ مالیاتی سٹیٹمنٹ اختتامی سال جون ۲۰۱۸ء آپ کو پیش کر رہا ہوں۔

جائزہ

آپ کی کمپنی کی بنیادی کاروباری سرگرمی میں دھاگہ کپڑے اور اس سے بنی ہوئی اشیاء کی تیاری ہے کمپنی کے بنیادی کاروبار کو جو چیزیں متاثر کر سکتی ہیں ان میں خام مال کی بڑھتی ہوئی شرح اور کرنسی کی شرح میں اتار چڑھاؤ شامل ہیں۔ خام مال کی بڑھتی ہوئی قیمتوں کے علاوہ علاقائی حربوں سے ہماری توانائی کی قیمت اب بھی زیادہ ہے۔ طلب و رسد کی فراہمی میں فرق اچانک پاک روپے کی قدر میں کمی، غیر یقینی صورتحال میں اضافہ، عدم سیاسی استحکام، نئے نئے ٹیکس کا نفاذ اور لیوی جس کی وجہ سے صنعت کے متعلق طویل مدتی قیاس آرائی کرنا مشکل ہے۔ عدم سیاسی استحکام کرنسی کی قدر میں کمی، کم منافع اور علاقائی حربوں سے سخت مقابلہ کے باوجود انتظامیہ کی مسلسل کوششوں اور اسٹریٹجک سرمایہ کاری سے کی وجہ سے آپ کی کمپنی کے منافع میں پچھلے سال کی نسبت بہتری آئی ہے۔

مالی کارکردگی

2018	2017	
روپے	روپے	
574,963,691	414,416,771	قبل از ٹیکس منافع
249,035,886	197,258,415	ٹیکس کیلئے مختص
325,927,805	217,158,356	سالانہ منافع
1.70	1.13	آمدن فی کس حصہ

اس سال اپنی کمپنی کی آمدن 7,968.111 ملین سے بڑھ کر 10,329 ملین اور قبل از ٹیکس منافع 414.416 ملین سے بڑھ کر 574.963 ملین روپے ہو گیا ہے۔ اس سال آمدنی اور منافع میں اضافہ پیداوار میں اضافہ کی وجہ سے ہوا ہے۔ اس سال بھی کمپنی میں 17,472 سپینڈل کا اضافہ کیا گیا ہے۔ جس سے دھاگے کے بوروں کی پروڈکشن میں اضافہ ہوا ہے جس سے ہم نے منافع میں خاصا اضافہ حاصل کیا ہے۔ ملز کا بھرپور طریقے سے کام کرنا بھی بڑا اہم عنصر ہے۔ کمپنی کا خالص منافع 217.158 ملین سے بڑھ کر 325.927 ملین ہو گیا ہے۔ جس کا بیلنس شیٹ پر خاصہ مثبت اثر پڑا ہے۔ کمپنی کے کرنٹ ریشوا اور کیش فلو بہتری آئی ہے۔

ڈیویڈنڈ اور بونس شیئرز:

بورڈ آف ڈائریکٹرز نے 5 اکتوبر 2018 کو ہونے والی میٹنگ میں کیش ڈیویڈنڈ 35 پیسے فی شیئر 3.5% کے حساب سے تجویز کیا ہے جو کہ ممبران کی 26 اکتوبر 2018 کو ہونے والی جنرل میٹنگ کی اجازت سے مشروط ہے۔

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Annual Report 2018

FINANCIAL HIGHLIGHTS

	2018	2017	2016	2015	2014	2013
	(Rupees in Thousand)					
Net Assets Employed						
Fixed assets	6,204,294	5,525,529	4,732,497	4,147,639	3,864,008	1,945,242
Intangible assets	1,969	3,181	5,414	3,354	4,795	5,782
Investment in subsidiary	359,200	359,200	359,200	-	-	-
Long term deposits	4,450	4,450	4,450	4,450	4,344	4,255
Current assets	4,810,746	3,256,897	2,309,844	2,050,816	1,925,251	2,321,387
Current liabilities	(4,729,949)	(3,564,381)	(2,867,811)	(2,200,559)	(1,745,107)	(1,916,868)
	80,797	(307,484)	(557,967)	(149,742)	180,145	404,519
Long term liabilities	(1,479,684)	(743,227)	(601,918)	(372,313)	(665,297)	(112,734)
Net Assets	5,171,025	4,841,649	3,941,677	3,633,388	3,387,994	2,247,064
Represented By						
Paid up capital	1,914,211	1,823,058	1,657,326	1,274,866	1,274,866	408,611
Reserves	1,935,360	1,646,077	1,578,251	1,635,886	1,374,957	1,085,367
Revaluation surplus	1,321,454	1,372,514	706,100	722,636	738,171	753,087
	5,171,025	4,841,649	3,941,677	3,633,388	3,387,994	2,247,064
Operating Results						
Sales	10,329,177	7,968,112	6,699,200	6,676,002	5,985,119	4,611,797
Gross profit	1,034,190	808,574	658,976	565,855	763,233	685,014
Operating profit	1,075,492	834,489	692,134	577,861	844,790	699,092
Profit / (loss) before taxation	575,999	414,417	321,161	144,631	443,795	365,028
Financial Ratios						
Gross profit %	10.01	10.15	9.84	8.48	12.75	14.85
Operating profit %	10.41	10.47	10.33	8.66	14.11	15.16
Profit/(loss) before taxation %	5.58	5.20	4.79	2.17	7.41	7.92
Earning / (Loss) per share (Rs.)	1.71	1.19	1.86	1.91	4.25	5.03
Current ratio	1.02	0.91	0.81	0.93	1.10	1.21
Fixed assets turnover (times)	1.66	1.44	1.42	1.61	1.55	2.37
Debt equity ratio	0.15:1	0.09:1	0.14:1	0.10:1	0.16:1	00:1
Book value per share (Rs.)	20.11	19.03	19.52	22.83	20.79	43.87
Plant capacity and production						
Spinning						
Spindles installed/worked (Nos)	93,024	75,552	67,104	67,104	42,192	42,192
Actual production converted into 20/s count (Kgs. In million)	33.85	31.45	27.26	21.58	15.71	13.78
Weaving						
Number of looms installed/worked(Nos)	280	280	280	280	280	280
Actual production converted into 60 picks (Square Meters)	36,352,135	35,698,954	37,811,480	36,238,488	36,275,978	31,920,341

To the members of Zahidjee Textile Mills Limited**Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the listed companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Zahidjee Textile Mills Limited for the year ended June 30, 2018 in accordance with the requirements of regulations 40 of the Regulations.

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

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

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

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

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Dated: October 05, 2018
Lahore

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017
ZAHIDJEE TEXTILE MILLS LIMITED
For the year ended June 30, 2018

The Company has complied with the requirements of the Regulations in the following manner:

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

Gender	Number
Male	4
Female	3

2. The composition of the Board of Directors as at June 30, 2018 is as follows:

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

Further, as per the proviso to Regulation 6 of the COCG Regulation 2017, grace period has been prescribed in respect of transition phase for composition of the Board with respect to minimum number of independent directors as specified in the COCG Regulation 2017, presently, it is lesser than the required number of Independent Directors, however it will be complied with before the expiry of its current board of directors term which will end in March 2021.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairperson and, in her absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In terms of Regulation 20 of the COCG Regulation 2017, the Companies are required to ensure that all the directors on their board have acquired the prescribed certification under Director Training Program by June 30, 2021. Presently, Two (2) directors of the Company meet the exemption requirement of the Director's Training Program (DTP). The remaining Four (4) directors shall obtain certification under the DTP in due course of time.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 - a. **Audit Committee**
 - . Brig (R) Wali Muhammad, Independent Director (Chairman)
 - . Mst. Huma Zahid, Non-Executive Director (Member)
 - . Mr. Muhammad Jamshaid, Non-Executive Director (Member)
 - b. **Human Resource & Remuneration Committee**
 - . Mst. Huma Zahid, Non-Executive Director (Chairman)
 - . Mr. Muhammad Jamshaid, Non-Executive Director (Member)
 - . Ms. Mahreen Zahid, Executive Director (Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
 - a. Audit Committee: Four quarterly meetings during the financial year ended June 30, 2018.
 - b. HR and Remuneration Committee: Four quarterly meetings during the financial year ended June 30, 2018.
15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

Lahore
Dated: October 5, 2018

MUHAMMAD SHARIF
Chairman

INDEPENDENT AUDITOR'S REPORT

To the members of Zahidjee Textile Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Zahidjee Textile Mills Limited (the Company), which comprise the statement of financial position as at June 30, 2018 and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Following are the key audit matters:

Key Audit Matters	How our audit addressed the key audit matter
Preparation of financial statements under Companies Act, 2017	
<p>The provisions of the fourth schedule to the Companies Act, 2017 (the Act) became applicable to the Company for the first time in the preparation of these annual financial statements.</p> <p>The Act has also brought certain changes with regards to preparation and presentation of the annual financial statements of the Company.</p> <p>As part of this transition to the requirements, the management performed a gap analysis to identify differences, between the previous and the current financial reporting framework and as a result certain changes were made in the Company's annual financial statements.</p> <p>In view of the extensive impacts in the annexed financial statements due to first time application of the fourth schedule to the Act, we considered it as a key audit matter.</p>	<p>We reviewed and understood the requirements of the Fourth schedule to the Act. Our audit procedures included the following:</p> <ul style="list-style-type: none"> - Considered the management's process to identify the additional disclosures required in the Company's annual financial statements. - Obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence. - Verified on test basis the supporting evidence for the additional disclosure and ensured appropriateness of the disclosures made.
Key Audit Matters	How our audit addressed the key audit matter
Investment in Subsidiary	
<p>The Company has made investment of Rs. 359.20 million in shares of Zahidjee Towers (Private) Limited (a subsidiary). The investment was made in the year 2015. The object of the subsidiary is to establish a Hotel. The purpose of the investment is to diversify the business as well as earn profits from hotel business. The decision to make investment was taken on the basis of judgment of the management that implementation time will be about three years by which the investment was projected to start paying return on investment. The Subsidiary has not started commercial activity since its incorporation in 2015.</p> <p>There is significant uncertainty in management's judgment therefore, we have identified this as a key audit matter.</p>	<p>In response to this matter, our audit procedures included:</p> <ul style="list-style-type: none"> - Inquiries of management, review of minutes of Board meeting and obtaining specific representations from Company's management regarding future plans about investment in subsidiary. - Assessed the adequacy and presentation of disclosures of investment in subsidiary in financial statements.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Syed Ali Adnan Tirmizey.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Lahore

Date: October 05, 2018

ZAHIDJEE TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees	2016 Rupees
NON - CURRENT ASSETS				
Property, plant and equipment	4	6,204,293,855	5,525,528,779	4,732,497,469
Intangible assets	5	1,968,512	3,181,098	5,413,978
Investment in subsidiary	6	359,200,000	359,200,000	359,200,000
Long term security deposits		4,450,142	4,450,142	4,450,142
		6,569,912,509	5,892,360,019	5,101,561,589
CURRENT ASSETS				
Stores, spares and loose tools	7	113,884,208	138,500,935	156,143,036
Stock in trade	8	2,987,053,124	1,813,395,291	1,018,969,578
Trade debts	9	971,774,514	687,347,188	632,490,206
Loans, advances and deposit	10	161,680,474	129,823,136	139,770,248
Prepayments		1,395,389	890,774	1,016,463
Other receivables	11	103,945,845	23,095,008	23,228,753
Short term investment	12	87,690,721	66,855,325	57,388,368
Tax refunds due from Government	13	358,543,569	340,123,497	215,377,879
Cash and bank balances	14	24,778,023	56,865,862	65,459,258
		4,810,745,867	3,256,897,016	2,309,843,789
CURRENT LIABILITIES				
Trade and other payables	15	781,924,356	644,921,219	578,091,791
Interest / mark up payable	16	54,769,323	53,512,175	35,991,631
Short term borrowings	17	3,598,814,126	2,588,837,213	2,081,645,542
Unclaimed dividend		1,763,009	1,763,009	1,763,009
Current portion of long term finance	18	195,391,429	275,347,248	170,318,937
Provision for taxation - income tax	31	97,287,034	-	-
		4,729,949,277	3,564,380,864	2,867,810,910
		6,650,709,099	5,584,876,171	4,543,594,468
NON - CURRENT LIABILITIES				
Long term finance	18	927,898,534	326,707,903	547,300,136
Deferred liability				
Deferred taxation	19	551,785,282	416,519,161	54,617,692
		1,479,683,816	743,227,064	601,917,828
CONTINGENCIES AND COMMITMENTS				
Net worth	20	-	-	-
		5,171,025,283	4,841,649,107	3,941,676,640
Represented by :				
Share capital	21	1,914,210,990	1,823,058,090	1,657,325,540
Capital reserves				
Merger reserve		366,258,513	366,258,513	366,258,513
Surplus on revaluation of property, plant and equipment	22	1,321,453,916	1,372,514,179	706,100,436
Revenue reserves		1,569,101,864	1,279,818,325	1,211,992,151
		5,171,025,283	4,841,649,107	3,941,676,640
		5,171,025,283	4,841,649,107	3,941,676,640

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

ZAHIDJEE TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales	23	10,329,176,502	7,968,111,718
Cost of sales	24	9,295,013,528	7,159,537,994
Gross profit		1,034,162,974	808,573,724
Trading profit	25	12,709,918	2,239,689
Other income	26	28,592,315	23,675,568
		1,075,465,207	834,488,981
Distribution cost	27	118,951,254	95,345,368
Administrative expenses	28	125,250,071	96,003,444
Other operating expenses	29	32,407,058	21,811,409
Finance cost	30	223,893,133	206,911,989
		500,501,516	420,072,210
Profit before taxation		574,963,691	414,416,771
Provision for taxation	31	249,035,886	197,258,415
Profit for the year		325,927,805	217,158,356
Earnings per share - Basic and diluted	32	1.70	1.13

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

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
Profit for the year	325,927,805	217,158,356
Items that will not be subsequently reclassified to profit or loss :		
Incremental depreciation on revalued assets for the year - net of deferred tax	41,463,917	12,885,933
Related deferred tax	11,859,090	3,514,435
	53,323,007	16,400,368
Surplus realised on disposal		
of property, plant and equipment	859,512	-
Related deferred tax	326,115	-
	1,185,627	-
Total comprehensive income for the year	380,436,439	233,558,724

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

ZAHIDJEE TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	574,963,691	414,416,771
Adjustment for:		
Depreciation of property, plant and equipment	253,071,480	200,951,087
Amortisation of intangible assets	1,212,586	2,232,880
Profit on deposits	(49,036)	(3,730,942)
Provision for doubtful debts	22,600,585	-
Balances written back	(190,224)	(214,533)
Net loss / (gain) on disposal of operating assets	2,177,119	(3,046,748)
Dividend income	(6,068,562)	(6,068,562)
Adjustment in fair value	(20,835,396)	(9,466,957)
Finance cost	223,893,133	206,911,989
Operating cash flows before working capital changes	1,050,775,376	801,984,985
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	24,616,727	17,642,101
Stock in trade	(1,173,657,833)	(794,425,713)
Trade debts	(307,027,911)	(54,856,982)
Loans, advances and deposit	(48,324,577)	17,895,414
Prepayments	(504,615)	125,689
Other receivables	(80,850,837)	133,745
Tax refunds due from Government	50,944,644	(55,453,123)
Increase in current liabilities		
Trade and other payables	137,193,361	67,043,961
	(1,397,611,041)	(801,894,908)
Cash (used in) / generated from operating activities	(346,835,665)	90,077
Finance cost paid	(222,635,985)	(189,391,445)
Income tax paid	(59,863,274)	(77,240,797)
Net cash (used in) operating activities	(629,334,924)	(266,542,165)

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Annual Report 2018

	2018 Rupees	2017 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in:		
Property, plant and equipment	(935,659,676)	(151,571,344)
Proceeds from disposal of operating assets	1,646,000	8,092,860
Profit on deposits	49,036	3,730,942
Dividend received	-	6,068,562
Net cash (used in) investing activities	(933,964,640)	(133,678,980)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained	756,855,354	279,485,080
Repayment of long term finance	(235,620,542)	(395,049,002)
Increase in short term borrowings - net	1,009,976,913	507,191,671
Net cash generated from financing activities	1,531,211,725	391,627,749
Net (decrease) in cash and cash equivalents (a+b+c)	(32,087,839)	(8,593,396)
Cash and cash equivalents at the beginning of the year	56,865,862	65,459,258
Cash and cash equivalents at the end of the year	24,778,023	56,865,862

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	CAPITAL RESERVE			REVENUE RESERVES			Total
		Merger reserve	Surplus on revaluation of property, plant and equipment	Sub total	General reserve	Unappropriated profit	Sub total	
Balance as at July 01, 2016	1,657,325,540	366,258,513	-	366,258,513	300,000,000	911,992,151	1,211,992,151	3,235,576,204
Effect of change in accounting policy - (Note-3.23)	-	-	706,100,436	706,100,436	-	-	-	706,100,436
Balance as at July 01, 2016 re-stated	1,657,325,540	366,258,513	706,100,436	1,072,358,949	300,000,000	911,992,151	1,211,992,151	3,941,676,640
Transaction with owners								
Bonus shares issued during the year (One share for each ten shares held)	165,732,550	-	-	-	-	(165,732,550)	(165,732,550)	-
Surplus arised during the year	-	-	847,457,165	847,457,165	-	-	-	847,457,165
Related deferred tax	-	-	(181,601,596)	(181,601,596)	-	-	-	(181,601,596)
			665,855,569	665,855,569				665,855,569
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	217,158,356	217,158,356	217,158,356
Other comprehensive income								
Items that will not be subsequently reclassified to profit or loss :								
Incremental depreciation on revalued assets for the year	-	-	(16,400,368)	(16,400,368)	-	12,885,933	12,885,933	(3,514,435)
Related deferred tax	-	-	3,514,435	3,514,435	-	3,514,435	3,514,435	7,028,870
	-	-	(12,885,933)	(12,885,933)	-	16,400,368	16,400,368	3,514,435
Adjustment of deferred tax for the year	-	-	13,444,107	13,444,107	-	-	-	13,444,107
Balance as at June 30, 2017 re-stated	1,823,058,090	366,258,513	1,372,514,179	1,738,772,692	300,000,000	979,818,325	1,279,818,325	4,841,649,107
Transaction with owners								
Bonus shares issued during the year (One share for each twenty shares held)	91,152,900	-	-	-	-	(91,152,900)	(91,152,900)	-
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	325,927,805	325,927,805	325,927,805
Other comprehensive income								
Items that will not be subsequently reclassified to profit or loss :								
Incremental depreciation on revalued assets for the year	-	-	(53,323,007)	(53,323,007)	-	41,463,917	41,463,917	(11,859,090)
Related deferred tax	-	-	11,859,090	11,859,090	-	11,859,090	11,859,090	23,718,180
Surplus realised on disposal of property, plant and equipment	-	-	(1,185,627)	(1,185,627)	-	859,512	859,512	(326,115)
Related deferred tax	-	-	326,115	326,115	-	326,115	326,115	652,230
	-	-	(42,323,429)	(42,323,429)	-	54,508,634	54,508,634	12,185,205
Adjustment of deferred tax for the year	-	-	(8,736,834)	(8,736,834)	-	-	-	(8,736,834)
Balance as at June 30, 2018	1,914,210,990	366,258,513	1,321,453,916	1,687,712,429	300,000,000	1,269,101,864	1,569,101,864	5,171,025,283

Note - 21

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, 2018

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 repealed Companies Ordinance, 1984 (Repealed with the enactment of Companies Act 2017 on May 30, 2017). 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 32-KM, Tandlianwala Road, Satyana, District Faisalabad and spinning units are located at 32-KM, Sheikhpura Road, Faisalabad and M-3 Industrial Estate, Faisalabad, in the province of Punjab.
- 1.2** 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.
- 1.3** The financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

2. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- The Company has invested Rs. 815.46 million in purchase of machinery and installed new 17,472 spindles in its spinning section Which has enhanced the total number of spindles from 75,552 to 93,024, and production capacity of yarn from 27,564,817 (Kgs.) to 38,020,617 (Kgs.) after conversion into 20/s count. The expansion project started commercial production from March 01, 2018 which resulted in an increase of Rs.195.76 millions in local sales of yarn.
- During the year the Company obtained substantial amount of long term finance amounting to Rs. 756.86 million for import of plant and machinery of new spinning unit. (See note no. 18.1)
- During the year the Company issued bonus shares of Rs.91,152,900/-. (See note no. 21.2)
- Due to applicability of the Companies Act, 2017 certain disclosures of financial statements have been presented in accordance with the fourth schedule notified by the Securities and Exchange Commission of Pakistan vide S.R.O 1169 dated November 07,2017.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 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 Company for the periods beginning on or after July 01, 2017 and therefore, have been applied in preparing these 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 application of these amendments has no 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 effect of these amendments has resulted in additional disclosure. (see note. 18.1)

3.2.2 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, 2017 but are considered not to be relevant to the Company'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 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.

- **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 cycle have been issued by IASB on December 08, 2016, amending the following standards;

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

The amendments are effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019. The application of amendments is not expected to have any material impact on the Company's financial statements.

- **Annual improvements 2015-2017 Cycle**

Annual Improvements of IFRSs through 2015-2017 cycle have been issued by IASB on December, 2017, amending the following standards;

- IFRS 3: Business Combinations - Re-measurement of previously held interest.
- IFRS 11: Joint Venture - Re-measurement of previously held interest.
- IAS 12: Income Taxes – Income Tax consequences of dividends.
- IAS 23: Borrowing Costs – Borrowing costs eligible for capitalization.

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

3.2.4 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.

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 statement of financial position 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.

Any revaluation increase arising on freehold land, building on freehold land and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity as “Revaluation surplus on property, plant and equipment”, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of freehold land, building on freehold land and plant and machinery improvements is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company’s shareholders. The surplus on revaluation of building on freehold land and plant and machinery improvements to the extent of incremental depreciation charged is transferred to unappropriated profit.

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. Previously, the Company’s accounting policy was in accordance with the provisions of repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the company was not in alignment with the accounting treatment and presentation of revaluation surplus as prescribed in the IFRSs. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation surplus, accordingly the Company has changed the accounting policy and is now following the IFRSs prescribed accounting treatment and presentation of revaluation surplus. The detailed information and impact of this change in policy is provided in note 3.23 below.

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 Investment in subsidiary

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

3.7 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 statement of profit or loss.

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 statement of profit or loss.

3.8 Impairment

The Company assesses at each statement of financial position 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 statement of profit or loss, 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.

3.9 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.

3.10 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.

3.11 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 statement of financial position 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.

3.12 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.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position 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.

3.14 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.

3.15 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 statement of financial position date and adjusted to reflect the current best estimate.

3.16 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 statement of financial position 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 statement of financial position 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.

3.17 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.

3.18 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 statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position 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.

3.19 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.

3.20 Offsetting of financial asset and financial liability

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position, 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.

3.21 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 statement of profit or loss.

3.22 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.

3.23 Change in accounting policy

The Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IFRSs are being followed by the Company. The new accounting policy is explained under note 3.4, above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information.

The effect of change in accounting policy is summarised below:

	As at June 30, 2017			As at June 30, 2016		
	As previously	As re-stated reported	Re-statement	As previously	As re-stated reported	Re-statement
	Rupees					
Effect on statement of financial position						
Surplus on revaluation of property, plant and equipment	1,372,514,179	-	(1,372,514,179)	706,100,436	-	(706,100,436)
Capital reserves	-	1,372,514,179	1,372,514,179	-	706,100,436	706,100,436
Effect on statement of changes in equity						
Capital reserves	-	1,372,514,179	1,372,514,179	-	706,100,436	706,100,436

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

3.24 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.

3.25 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
Capital work in progress
Non operating lands
Advances against purchase of land
Advances for capital expenditure

4.1 Operating assets

Note	2018 Rupees	2017 Rupees
4.1	6,015,352,863	5,218,559,749
4.7	135,894,269	293,070,504
4.8 & 4.9	16,203,950	-
	35,662,080	11,998,000
	1,180,693	1,900,526
	6,204,293,855	5,525,528,779

Freehold land (Note 4.5)	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Office equipment	Electric appliance	Furniture and fittings	Vehicle	Total
600,772,364	1,201,880,551 (122,804,503)	2,409,266,663 (281,705,292)	133,860,659 (60,251,831)	33,720,562 (7,546,627)	12,065,603 (6,940,190)	5,610,392 (1,816,960)	6,563,885 (3,073,548)	49,911,811 (32,366,754)	4,453,652,490 (516,505,705)
600,772,364	1,079,076,048	2,127,561,371	73,608,828	26,173,935	5,125,413	3,793,432	3,490,337	17,545,057	3,937,146,785
600,772,364	1,079,076,048	2,127,561,371	73,608,828	26,173,935	5,125,413	3,793,432	3,490,337	17,545,057	3,937,146,785
893,000	3,450,000	43,903,040	19,058,261	1,564,415	5,574,224	5,423,623	592,945	21,119,353	101,578,861
-	166,746,020	371,628,117	-	-	-	-	-	-	538,374,137
80,039,948	53,462,434	713,954,783	-	-	-	-	-	-	847,457,165
-	-	(4,952,286)	-	-	(49,526)	(220,273)	-	(6,963,277)	(12,185,362)
-	-	1,196,393	-	-	12,290	95,169	-	5,835,398	7,139,250
-	-	(3,755,893)	-	-	(37,236)	(125,104)	-	(1,127,879)	(5,046,112)
-	(60,055,359)	(122,563,613)	(8,736,364)	(2,811,138)	(618,451)	(757,703)	(392,125)	(5,016,334)	(200,951,087)
681,705,312	1,242,679,143	3,130,727,805	83,930,725	24,927,212	10,043,950	8,334,248	3,691,157	32,520,197	5,218,559,749
681,705,312	1,242,679,143	3,130,727,805	152,918,920 (68,988,195)	35,284,977 (10,357,765)	17,590,301 (7,546,351)	10,813,742 (2,479,494)	7,156,830 (3,465,673)	64,067,887 (31,547,690)	5,342,944,917 (124,385,168)
681,705,312	1,242,679,143	3,130,727,805	83,930,725	24,927,212	10,043,950	8,334,248	3,691,157	32,520,197	5,218,559,749
681,705,312	1,242,679,143	3,130,727,805	83,930,725	24,927,212	10,043,950	8,334,248	3,691,157	32,520,197	5,218,559,749
-	205,888,979	13,208,438	-	-	-	-	-	-	219,097,417
-	-	(3,864,640)	-	-	-	-	-	(471,500)	(4,336,140)
-	-	95,719	-	-	-	-	-	417,302	513,021
-	-	(3,768,921)	-	-	-	-	-	(54,198)	(3,823,119)
-	(66,423,311)	(166,026,234)	(9,063,788)	(2,674,906)	(1,011,088)	(863,237)	(395,931)	(6,612,986)	(253,071,481)
681,705,312	1,382,144,811	3,789,599,099	88,469,241	23,710,045	9,252,215	8,652,091	3,701,386	28,118,663	6,015,352,863
681,705,312	1,448,568,122	3,955,529,614	166,521,224	36,742,716	17,809,654	11,994,822	7,562,990	65,862,037	6,392,296,491
-	(66,423,311)	(165,930,515)	(78,051,983)	(13,032,671)	(8,557,439)	(3,342,731)	(3,861,604)	(37,743,374)	(376,943,628)
681,705,312	1,382,144,811	3,789,599,099	88,469,241	23,710,045	9,252,215	8,652,091	3,701,386	28,118,663	6,015,352,863
-	5	5	10	10	10	10	10	10	20

Annual rate of depreciation (%)

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	Note	2018 Rupees	2017 Rupees
4.2 Depreciation for the year has been allocated as under:			
Cost of sales	24.1	245,213,497	194,924,177
Administrative expenses	28	7,857,983	6,026,910
		253,071,481	200,951,087

4.3 Had there been no revaluation, the carrying values of freehold land, building on freehold land and plant and machinery at June 30, 2018 and 2017 would have been as follows:

	Carrying value	
	2018 Rupees	2017 Rupees
Freehold land	149,477,863	149,477,863
Building on freehold land	1,294,758,878	1,150,693,951
Plant and machinery	2,862,031,994	2,153,251,325
	4,306,268,735	3,453,423,139

4.4 The forced sale value of revalued freehold land, building on freehold land and plant and machinery is Rs. 3,860,421,372/-.

4.5 Detail of disposal of operating assets

2018					
Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Rupees					
Plant and machinery (by negotiation)	3,390,732	84,769	3,305,963	534,000	Mr. Shfaqat Ali, Kabbar Market, Dar-ul-Ihsan Town, Summadri Road, Faisalabad.
	107,647	1,794	105,853	100,000	Allah Hoo Engineering Works, Samundri Road, Faisalabad.
	366,261	9,157	357,104	600,000	Abdul Hafeez, Dar-ul-Ahsan Town, Samundri Road, Faisalabad.
	3,864,640	95,719	3,768,921	1,234,000	
Vehicles (by negotiation)	16,500	8,020	8,480	12,000	Mr. Alam Sher, Chak No. 258 Tibbah, Toba Tak Singh.
	455,000	409,282	45,718	400,000	Mr. Rasheed Ahmed, Chak No. 239, Kror Laali, P/O 241, Layyah.
	471,500	417,302	54,198	412,000	
	4,336,140	513,021	3,823,119	1,646,000	

2017					
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	A.A Traders, Jinnah Colony, Faisalabad.
	4,952,286	1,196,393	3,755,893	3,861,010	
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	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	36,449	50,468	30,000	M/s. Technomaster, Maqbool Road, Sityana Road, Faisalabad.
	220,273	95,169	125,104	55,000	
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	
	5,373,393	4,802,440	570,953	3,100,000	Mr. Farooq Yousaf Ghurki, H# 29, 10 B-I, Township Lahore
1,252,075	815,012	437,063	850,000	Mr. Muhammad Qasim S-5, Phase-III, DHA, Lahore.	
	6,963,277	5,835,398	1,127,879	4,171,850	
	12,185,362	7,139,250	5,046,112	8,092,860	

4.6 Particulars of immovable property (i.e. land and building) in the name of the Company are as follow

Location	Usage of immovable property	Total Area (in square foot)
a) 32-KM, Sheikhpura Road, Faisalabad.	Spinning unit and power house	660,752
b) 32-KM, Tandlianwala Road, Faisalabad.	Weaving unit	628,899
c) Raja Bolay, Tehsil Cantt, District Lahore.	Godown	1,971,094
d) Plot # 6, M-3 Industrial Estate, Faisalabad.	Spinning unit and power house	756,856
e) 20, Bilal Road, Civil Lines, Faisalabad.	Office	49,550
f) 20-B, Race Course Road, Civil Lines, Faisalabad.	Office	10,890
g) Small industrial Estate Road, Faisalabad.	Export house	11,707

4.7 Capital work in progress

	Civil work	Plant and machinery Rupees	Total
Balance as at July 1, 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)	(371,628,117)	(538,374,137)
Balance as at June 30, 2017	293,070,504	-	293,070,504
Additions	47,832,724	14,088,458	61,921,182
Transfer to operating assets	(205,888,979)	(13,208,438)	(219,097,417)
Balance as at June 30, 2018	135,014,249	880,020	135,894,269

4.8 It represents land held for future expansion.

4.9 Particulars of immovable property (i.e. non- operating land) in the name of the Company are as follows:

	Location	Usage of immovable property	Total Area (in square foot)
a)	Raja Bolay, Tehsil Cantt, District Lahore.	Land held for future expansion	69,404
b)	Deve Khurd Kalan, Tehsil Model Town, District Lahore.	Land held for future expansion	14,974

5. Intangible assets

Computer software and license

	Note	2018 Rupees	2017 Rupees
Cost		11,164,402	11,164,402
Accumulated amortisation		(9,195,890)	(7,983,304)
Written down value		1,968,512	3,181,098

5.1 Reconciliation of written down value

Opening written down value		3,181,098	5,413,978
Amortisation for the year	28	(1,212,586)	(2,232,880)
Closing balance		1,968,512	3,181,098

5.1.1 Amortisation rate is 20% per annum.

6. Investment in subsidiary

Zahidjee Towers (Private) Limited
35,920,000 (2017: 35,920,000) ordinary shares of Rs. 10/- each
fully paid in cash. Ownership interest 54.39% (2017: 64.77%).

359,200,000	359,200,000
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- 6.1** Zahidjee Towers (Private) Limited is incorporated in Pakistan on October 6, 2015 as a private limited company under the repealed 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.
- 6.2** No provision for impairment has been made against investment in subsidiary as diminution in value is assessed to be temporary.
- 6.3** Investment in subsidiary company has been made in accordance with the requirements under the Companies Act, 2017.

	Note	2018 Rupees	2017 Rupees
7. Stores, spares and loose tools			
Stores		63,051,034	66,644,716
Spares	7.1	50,511,533	71,506,674
Loose tools		321,641	349,545
		113,884,208	138,500,935

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

	Note	2018 Rupees	2017 Rupees
8. Stock in trade			
Raw materials in hand	8.1	2,481,314,014	1,441,535,919
in transit		198,071,621	-
		2,679,385,635	1,441,535,919
Work in process		84,099,138	90,886,838
Finished goods	8.1	206,626,535	260,440,981
Waste		16,941,816	20,531,553
		2,987,053,124	1,813,395,291

8.1 Stock in trade amounting to Rs. 2,211.90 million (2017: Rs. 1,275.20 million) was pledged as security with the banking companies.

	Note	2018 Rupees	2017 Rupees
9. Trade debts			
Considered good			
Secured			
Foreign	9.1	40,020,753	35,754,788
Unsecured			
Foreign	9.1	228,780,907	177,167,631
Local		702,972,854	474,424,769
		931,753,761	651,592,400
Considered doubtful			
Unsecured			
Foreign	9.1	22,600,585	-
Less: Provision for doubtful debts		(22,600,585)	-
		-	-
Local		61,632,959	61,632,959
Less: Provision for doubtful debts		(61,632,959)	(61,632,959)
		-	-
		971,774,514	687,347,188

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	Note	2018 Rupees	2017 Rupees
9.1 Following are the details of debtors in relation to export sales:			
Jurisdiction	Category		
Africa	Letter of credit	7,823,749	-
	Cash against documents	22,600,585	19,515,307
		30,424,334	19,515,307
Asia	Letter of credit	1,209,032	-
Europe	Letter of credit	16,418,382	13,355,993
	Cash against documents	25,161,038	21,448,598
		41,579,420	34,804,592
North America	Cash against documents	55,004,685	6,416,664
South America	Letter of credit	16,019,924	22,007,792
	Cash against documents	147,164,850	130,178,063
		63,184,774	152,185,855
		291,402,245	212,922,419
10. Loans, advances and deposit			
Considered good			
Advances			
Employees		175,983	2,600,078
Suppliers		88,685,956	41,267,266
For purchases and expenses		825,300	2,909,901
Income tax		60,773,558	77,240,797
Letters of credit fee and expenses		11,219,677	5,805,094
		161,680,474	129,823,136
11. Other receivables			
Considered good			
Export rebate / duty drawback		93,733,034	17,725,720
Receivable from subsidiary	11.1	800,000	800,000
Dividend receivable		5,158,278	-
Other		4,254,533	4,569,288
		103,945,845	23,095,008
11.1 It represents receivable in respect of expenses incurred for Zahidjee Towers (Private) Limited, a related party. There is no security for this receivable. It is past due since three years.			
		2018 Rupees	2017 Rupees
12. Short term investment			
Financial assets at fair value through profit or loss			
Quoted securities			
Habib Metropolitan Bank Limited			
2,022,854 (2017: 2,022,854)			
Ordinary shares of Rs.10/- each			
		66,855,325	57,388,368
Adjustment in fair value		20,835,396	9,466,957
		87,690,721	66,855,325

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	Note	2018 Rupees	2017 Rupees
13. Tax refunds due from Government			
Income tax		199,066,779	129,860,342
Sales tax		159,476,790	210,263,155
		<u>358,543,569</u>	<u>340,123,497</u>
14. Cash and bank balances			
Cash in hand		5,356,452	7,922,616
Cash at banks			
In current accounts		19,129,920	48,781,660
In PLS accounts	14.1	291,651	161,586
		<u>24,778,023</u>	<u>56,865,862</u>

14.1 Effective profit rate in respect of PLS accounts was 3.75% to 3.87% per annum (2017 : 3.80% to 4.00% per annum).

	Note	2018 Rupees	2017 Rupees
15. Trade and other payables			
Creditors		577,892,907	421,551,017
Accrued liabilities		101,200,711	104,019,921
Advance from customers		29,522,449	49,977,520
Payable to provident fund		6,296,082	6,707,707
Workers' profit participation fund	15.1	30,229,939	21,811,409
Withholding taxes		31,512,385	9,255,405
Others	15.2	5,269,883	31,598,240
		<u>781,924,356</u>	<u>644,921,219</u>
15.1 Workers' profit participation fund			
Opening balance		21,811,409	17,385,877
Interest on funds utilised in the Company's business		532,408	419,476
		<u>22,343,817</u>	<u>17,805,353</u>
Paid to workers on behalf of the fund		(22,343,817)	(17,805,353)
		<u>-</u>	<u>-</u>
Allocation for the year		30,229,939	21,811,409
		<u>30,229,939</u>	<u>21,811,409</u>

15.2 It represents balance of exchange loss of Rs. 5,269,883/- (2017: Rs. 22,967,873/-) and early termination charges of Rs. Nil (2017: 8,630,367/-) on cross currency swap payable as per settlement agreement.

	2018 Rupees	2017 Rupees
16. Interest / mark up payable		
Interest / mark up payable on:		
Short term borrowings	40,732,504	40,736,035
Long term finance	14,036,819	12,776,140
	<u>54,769,323</u>	<u>53,512,175</u>

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	Note	2018 Rupees	2017 Rupees
17. Short term borrowings			
Secured			
From banking companies			
Export finances	17.2	920,850,000	960,500,000
Running finances	17.2	331,116,803	288,477,528
Cash finances	17.3	2,207,889,291	1,163,753,617
Un-secured			
From directors and associates	17.4	138,958,032	176,106,068
		3,598,814,126	2,588,837,213

17.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs. 2,097.37 million (2017 : Rs. 2,332.77 million).

17.2 These are secured against first joint parri 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 (2017: one month KIBOR plus 1% to 1.5% per annum, three months KIBOR plus 1% to 3% per annum) and SBP rate plus 1% per annum (2017: SBP rate plus 1% to 1.5% per annum).

The effective rate of mark up charged during the year ranges from 3.00% to 10.52% per annum (2017: 3.00% to 10.50% per annum).

17.3 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 1.25% per annum and three months KIBOR plus 1% per annum (2017: one month KIBOR plus 1% to 1.5% per annum and three months KIBOR plus 1% to 1.5% per annum).

The effective rate of mark up charged during the year ranges from 7.13% to 7.92% per annum (2017: 7.02% to 7.40%).

17.4 These are interest free and obtained for meeting working capital requirements of the company.

	Note	2018 Rupees	2017 Rupees
18. Long term finance			
Secured			
From banking companies			
Under mark up arrangements			
Term finances	18.2	671,348,857	506,337,755
Demand finances	18.2	383,075,866	-
Diminishing Musharakah	18.2	68,865,240	95,717,396
		1,123,289,963	602,055,151
Less : Current portion			
Installments due		(37,500,000)	(37,500,000)
Payable within one year		(157,891,429)	(237,847,248)
		(195,391,429)	(275,347,248)
		927,898,534	326,707,903
18.1 Reconciliation of long term financing:			
Balance as at July 1, 2017		602,055,151	717,619,073
Obtained during the year		756,855,354	279,485,080
		1,358,910,505	997,104,153
Paid during the year		(235,620,542)	(395,049,002)
		1,123,289,963	602,055,151
18.2 The terms of repayment of finances are as under;			

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Nature of loans	Balance Rupees	Number of installments		Payment rests	Commencement date	Ending date	Markup rate
		Total	Balance				
Term finances							
I	68,178,756	16	2	Quarterly	31-Mar-15	31-Dec-18	3 Months KIBOR + 1.5% p.a
II	67,021,290	16	11	Quarterly	25-Jun-17	25-Mar-21	SBP Rate + 1.5% p.a
III	16,543,719	16	12	Quarterly	5-Aug-17	5-May-21	SBP Rate + 1.5% p.a
IV	8,600,376	16	13	Quarterly	11-Oct-17	11-Jul-21	SBP Rate + 1.5% p.a
V	51,420,971	16	14	Quarterly	13-Jan-18	13-Oct-21	SBP Rate + 1.5% p.a
VI	74,039,000	16	14	Quarterly	27-Jan-18	27-Oct-21	SBP Rate + 1.5% p.a
VII	5,062,500	16	15	Quarterly	20-May-18	20-Feb-22	SBP Rate + 1.5% p.a
VIII	10,956,995	16	10	Quarterly	31-Mar-17	31-Dec-20	SBP Rate + 1.5% p.a
IX	26,465,000	36	36	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
X	4,209,000	36	36	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
XI	6,352,000	36	36	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
XII	49,384,000	36	36	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
XIII	23,039,000	36	36	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XIV	4,007,000	36	36	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XV	106,348,000	36	36	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XVI	48,353,000	36	36	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XVII	56,843,000	36	36	Quarterly	6-Mar-19	6-Dec-27	SBP Rate + 1% p.a
XVIII	44,525,250	36	36	Quarterly	7-Aug-19	7-May-28	SBP Rate + 1% p.a
	671,348,857						
Demand Finances							
I	44,529,100	36	36	Quarterly	12-Jul-19	12-Apr-28	SBP Rate + 2.5% p.a
II	17,090,141	36	36	Quarterly	6-May-19	6-Feb-28	SBP Rate + 2.5% p.a
III	3,649,000	36	36	Quarterly	23-Apr-19	23-Jan-28	SBP Rate + 2.5% p.a
IV	53,375,200	36	36	Quarterly	6-May-19	6-Feb-28	SBP Rate + 2.5% p.a
V	13,088,725	36	36	Quarterly	27-May-19	27-Feb-28	SBP Rate + 2.5% p.a
VI	7,310,300	36	36	Quarterly	12-Jul-19	12-Apr-28	SBP Rate + 2.5% p.a
VII	104,476,000	36	36	Quarterly	7-Apr-19	7-Jan-28	SBP Rate + 2.5% p.a
VIII	3,800,000	36	36	Quarterly	1-Mar-19	5-Dec-27	SBP Rate + 2.5% p.a
IX	6,431,000	36	36	Quarterly	12-Feb-19	12-Nov-27	SBP Rate + 2.5% p.a
X	70,211,400	36	36	Quarterly	1-Apr-19	30-Jan-28	SBP Rate + 2.5% p.a
XI	59,115,000	36	36	Quarterly	1-Jul-19	6-Mar-28	SBP Rate + 2.5% p.a
	383,075,866						
Diminishing Musharakah							
I	29,978,200	12	7	Quarterly	9-May-17	9-Feb-20	3 Months KIBOR + 1.25% p.a
II	38,887,040	10	8	Quarterly	9-Jan-18	9-Apr-20	3 Months KIBOR + 1.25% p.a
	68,865,240						

The loans are secured against first joint parri passu charge and ranking charge over present and future fixed assets 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. 396.40 million (2017: Rs. 519.95 million.)

Effective markup rates charged during the year ranges from 3.00% to 7.93% per annum (2017: 4.00% to 7.65%).

	2018 Rupees	2017 Rupees
19. Deferred taxation		
Opening balance	416,519,161	54,617,692
(Reversal) of deferred tax related to:		
Incremental depreciation on revalued assets	(11,859,090)	(3,514,435)
Surplus realised on disposal of revalued assets	(326,115)	-
Provision of deferred tax on surplus	8,736,834	168,157,489
Provided during the year	138,714,492	197,258,415
	551,785,282	416,519,161

	2018 Rupees	2017 Rupees
19.1 It represents the following:		
Deferred tax liability:		
Difference between accounting and tax bases of assets	577,947,411	547,865,327
Deferred tax asset:		
Carry forward tax credits and losses	(26,162,129)	(131,346,166)
	551,785,282	416,519,161

20. CONTINGENCIES AND COMMITMENTS

Contingencies

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date Instituted
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Income Tax

Commissioner Inland Revenue (Appeals)	The assessing officer of Inland Revenue passed orders and created demands of Rs. 75,000/- (2017: Rs. 75,000/-), Rs. 42,778,422/- (2017: Rs. 42,778,422/-) in respect of tax year 2014 and Rs. 46,673,768/- (2017: Rs. 46,673,768/-) in respect of tax year 2015. Currently appeals against these orders are pending before Commissioner (Appeals) Faisalabad. The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	April 06, 2017 April 20, 2017 April 24, 2017
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Sales Tax

Commissioner Inland Revenue (Appeals)	The assessing officer of Inland Revenue passed orders in respect of tax period July-2015 to June-2016, July-2011 to June-2016, November-2013 and July-2011 to April-2012 and created demand of Rs. 61,734,321/- (2017: Rs. Nil), Rs. 9,405,301/- (2017: Rs. Nil), Rs. 439,654/- (2017: Rs. 279,643/-) and Rs. 232,667/- (2017: Rs. 232,667/-) respectively. Currently the cases are pending for adjudication before Commissioner Inland Revenue (Appeals). The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	June 10, 2015 June 30, 2017 November 10, 2017 June 14, 2018
Appellate Tribunal Inland Revenue	The assessing officer of Inland Revenue passed orders in original in respect of tax periods from August-2013 to July-2015 and July-2010 to June-2011 and created demand of Rs. 8,806,053/- (2017: Rs. 8,806,053/-). Being aggrieved by the orders the company filed appeals before the CIR(A) against the ONOs. The CIR(A) partially set aside the demand of Rs. 1,545,923/- and disposed off the appeals. The company filed the appeals before ATIR for the remaining demand. Currently the case is pending for adjudication before ATIR. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	March 22, 2014 August 22, 2016

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Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date Instituted
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Other

Civil Court	The Director Social Security issued an order based on reassessment of number of employees and demanded Rs. 4,192,808/- (2017: Rs. 4,192,808/-) contribution regarding prior years. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Director Social Security	October 25, 2016
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2018
Rupees **2017**
Rupees

Bank guarantees issued in favour of :			
Sui Northern Gas Pipelines Limited for supply of gas	86,820,000		43,788,000
Faisalabad Electric Supply Company Limited for supply of electricity.	21,342,760		17,021,760
Punjab Power Development Board for bidding of hydropower generation Project	-		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.	118,921,446		66,050,261
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Commitments

Under letters of credit for:			
Plant and machinery	11,233,812		-
Raw material and spare parts	54,595,607		343,950,652
Under contracts for purchase of land	123,683,320		202,412,630

21. Share capital

21.1 Authorised capital

2017	2018		2018	2017
Number of shares	Number of shares		Rupees	Rupees
220,000,000	220,000,000	Ordinary shares of Rs. 10/- each.	2,200,000,000	2,200,000,000

21.2 Issued, subscribed and paid up capital

2017	2018		2018	2017
Number of shares	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	16,573,255	Ordinary shares of Rs.10/- each issued as fully paid bonus shares.	165,732,550	165,732,550
-	9,115,290	Ordinary shares of Rs.10/- each issued during the year as fully paid bonus shares.	91,152,900	-
182,305,809	191,421,099		1,914,210,990	1,823,058,090

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	2018 Rupees	2017 Rupees
22. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Surplus on revaluation of property, plant and equipment at the beginning of the year	1,601,689,121	770,632,324
Surplus arisen on revaluation carried out during the year	-	847,457,165
Transferred to unappropriated profit in respect of :		
Incremental depreciation	(53,323,007)	(16,400,368)
Surplus realised on disposal	(1,185,627)	-
	(54,508,634)	(16,760,259)
Surplus on revaluation of property, plant and equipment as at June 30,	1,547,180,487	1,601,689,121
Related deferred tax liability on:		
Revaluation at the beginning of the year	229,174,942	64,531,888
Deferred tax relating to:		
Incremental depreciation	(11,859,090)	(3,514,435)
Surplus realised on disposal	(326,115)	-
Deferred tax provided during the year	8,736,834	168,157,489
	225,726,571	229,174,942
	1,321,453,916	1,372,514,179

22.1 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	2018 Rupees	2017 Rupees
23. Sales			
Export			
Cloth / made ups	23.1	2,020,704,966	1,766,454,834
Local			
Yarn		7,861,522,624	5,911,274,069
Cloth		29,392,585	41,965,628
Waste and left over		352,280,051	266,394,449
Conversion receipts		40,783,009	22,573,483
		8,283,978,269	6,242,207,629
		10,304,683,235	8,008,662,463
Add: Export rebate / duty drawback		93,646,506	1,463,442
		10,398,329,741	8,010,125,905
Less: Commission and claims		69,153,239	42,014,187
		10,329,176,502	7,968,111,718

23.1 It includes exchange gain of Rs. 33,171,840/- (2017: Rs. 2,495,734/-).

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	Note	2018 Rupees	2017 Rupees
24. Cost of sales			
Cost of goods manufactured	24.1	9,237,609,345	7,273,212,862
Finished goods			
Opening stock		280,972,534	167,297,666
Closing stock		(223,568,351)	(280,972,534)
		57,404,183	(113,674,868)
		9,295,013,528	7,159,537,994
24.1 Cost of goods manufactured			
Raw material consumed	24.1.1	7,125,618,381	5,552,705,744
Packing material consumed		93,295,226	77,520,634
Salaries, wages and benefits		616,792,349	555,401,881
Retirement benefits		21,830,989	19,755,900
Stores and spares consumed		315,579,146	238,873,028
Fuel and power		772,540,585	604,622,565
Repairs and maintenance		20,970,862	14,958,639
Insurance		13,921,868	13,911,563
Depreciation	4.2	245,213,497	194,924,177
Other		5,058,742	5,457,046
		9,230,821,645	7,278,131,177
Work in process			
Opening stock		90,886,838	85,968,523
Closing stock		(84,099,138)	(90,886,838)
		6,787,700	(4,918,315)
		9,237,609,345	7,273,212,862
Opening stock		1,441,535,919	765,703,389
Purchases including purchase expenses		8,165,396,476	6,228,538,274
		9,606,932,395	6,994,241,663
Closing stock		(2,481,314,014)	(1,441,535,919)
		7,125,618,381	5,552,705,744
25. Trading profit			
Sale of cotton / polyester		247,369,015	77,941,131
Cost of sales		234,659,097	75,701,442
		12,709,918	2,239,689
26. Other income			
Income from financial assets:			
Profit on deposits		49,036	3,730,942
Dividend		6,068,562	6,068,562
Adjustment in fair value		20,835,396	9,466,957
Income from assets other than financial assets:			
Scrap sales		1,449,097	1,147,826
Gain on disposal of operating assets		-	3,046,748
Balances written back		190,224	214,533
		28,592,315	23,675,568
27. Distribution cost			
Ocean freight		68,316,861	46,146,277
Local freight		16,500,169	11,012,979
Clearing and forwarding		26,037,415	30,281,230
Export development surcharge		4,765,462	4,545,214
Insurance		940,295	543,744
Other		2,391,052	2,815,924
		118,951,254	95,345,368

	Note	2018 Rupees	2017 Rupees
28. Administrative expenses			
Directors' remuneration		1,980,000	1,785,000
Staff salaries and benefits		50,376,487	47,082,073
Retirement benefits		3,180,656	3,390,842
Postage and telecommunication		3,330,057	3,281,656
Vehicles running and maintenance		11,357,743	11,779,017
Travelling and conveyance		1,066,830	4,582,172
Printing and stationery		1,331,117	1,168,951
Electricity and gas		2,517,904	2,054,846
Fees, subscriptions and periodicals		7,614,057	3,077,333
Advertisement		123,300	108,866
Insurance		674,213	161,124
Auditors' remuneration	28.1	1,277,000	1,277,000
Legal and professional		2,696,642	1,254,317
Rent, rates and taxes		421,296	890,028
Entertainment		2,252,653	1,915,962
Provision for doubtful debts		22,600,585	-
Depreciation	4.2	7,857,983	6,026,910
Amortisation of intangible assets	5.1	1,212,586	2,232,880
Other		3,378,962	3,934,467
		125,250,071	96,003,444
28.1 Auditors' remuneration			
Audit fee		1,000,000	1,000,000
Fee for the review of half yearly financial information		161,250	161,250
Other Certifications		15,750	15,750
Out of pocket expenses		100,000	100,000
		1,277,000	1,277,000
29. Other operating expenses			
Workers' profit participation fund		30,229,939	21,811,409
Loss on disposal of operating assets-net		2,177,119	-
		32,407,058	21,811,409
30. Finance cost			
Interest / mark up on:			
Short term borrowings		170,695,445	152,456,775
Long term finance		45,814,560	46,972,390
Workers' profit participation fund		532,408	419,476
Bank charges and commission		6,850,720	7,063,348
		223,893,133	206,911,989
31. Provision for taxation			
Current			
for the year		97,287,034	-
for prior year		13,034,360	-
Deferred		138,714,492	197,258,415
		249,035,886	197,258,415
31.1 Relationship between tax expense and accounting profit			

Reconciliation between accounting profit and tax expense has not been presented in these financial statements as income of the company is subject to turnover tax and final tax under Section 113 and 154 of the Income Tax Ordinance, 2001.

31.2 No provision for tax has been made in tax year 2015, 2016 and 2017 due to available tax credits and brought forward tax losses.

	2018	2017
32. Earnings per share - Basic and diluted		
Profit for the year (Rupees)	325,927,805	217,158,356
Weighted average number of ordinary shares outstanding during the year	191,421,099	191,421,099
Earnings per share - Basic and diluted (Rupees)	1.70	1.13

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

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2018			2017		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
Remuneration	768,000	499,200	17,011,200	768,000	374,400	32,069,760
House rent allowance	345,600	224,640	7,655,040	345,600	168,480	14,431,392
Medical allowance	76,800	49,920	1,701,120	76,800	37,440	3,206,976
Utilities allowance	9,600	6,240	212,640	9,600	4,680	400,872
	1,200,000	780,000	26,580,000	1,200,000	585,000	50,109,000
Number of persons	1	1	9	1	1	45

33.1 Chief Executive Officer is entitled to free use of the Company maintained vehicle. The monetary value of running and maintenance is Rs. 2,167,470/- (2017: Rs. 1,607,464/-). The Directors have waived off their meeting fee.

34. 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 33. There is no other significant transaction with related parties.

	2018	2017
35. DISCLOSURE WITH REGARD TO PROVIDENT FUND		
Size of the fund (Rupees)	94,987,325	87,767,093
Cost of investment made (Rupees)	-	-
Percentage of investment made (Percentage)	0.00%	0.00%
Fair value of investment (Rupees)	-	-

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

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	2018	2017
36. NUMBER OF EMPLOYEES		
Total number of employees as at June 30	1679	1176
Total number of factory employees as at June 30	1585	1110
Average number of employees during the year	1684	1134
Average number of factory employees during the year	1587	1069

37. PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning

Number of spindles installed	93,024	75,552
Number of spindles worked	93,024	75,552
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	38,020,617	31,755,175
Actual production of yarn 27,522,588 Kgs (2017: 24,943,782 Kgs) after conversion into 20/s count (Kgs)	33,847,535	31,446,125

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)	36,352,135	35,698,954

37.1 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.

38. 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.

	2018 Rupees	2017 Rupees
38.1 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	971,774,514	687,347,188
Loans, advances and deposit	175,983	2,600,078
Other receivables	4,254,533	4,569,288
Cash and bank balances	24,778,023	56,865,862
	<u>1,364,633,195</u>	<u>1,115,032,558</u>
Financial asset at fair value:		
Short term investments	<u>87,690,721</u>	<u>66,855,325</u>

	2018 Rupees	2017 Rupees
Financial liabilities at amortised cost:		
Trade and other payables	690,659,583	563,876,885
Interest / mark up payable	54,769,323	53,512,175
Short term borrowings	3,598,814,126	2,588,837,213
Unclaimed dividend	1,763,009	1,763,009
Long term finance	1,123,289,963	602,055,151
	<u>5,469,296,004</u>	<u>3,810,044,433</u>

38.2 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:

38.2.1 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:

	2018 Rupees	2017 Rupees
Long term deposits	4,450,142	4,450,142
Trade debts	971,774,514	687,347,188
Loans, advances and deposit	175,983	2,600,078
Other receivables	4,254,533	4,569,288
Bank balances	19,129,920	48,781,660
	<u>999,785,092</u>	<u>747,748,356</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:

	2018 Rupees	2017 Rupees
Not past due	965,575,120	679,432,624
Past due	90,432,938	69,547,523
Less: Provision for doubtful debts	(84,233,544)	(61,632,959)
	<u>6,199,394</u>	<u>7,914,564</u>
	<u>971,774,514</u>	<u>687,347,188</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.

38.2.3 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.10.83 million (2017: Rs. 9.97 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. 291.40 million (2017: Rs. 212.93 million).

At June 30, 2018, 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.15.02 million (2017: Rs. 10.65 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. 87.69 million (2017: Rs. 66.86 million).

At June 30, 2018, 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. 4.38 (2017: Rs. 3.34 million).

38.3 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.

38.4 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, 2018 and 2017 were as follows:

	Note	2018 Rupees	2017 Rupees
Total Debt	17 & 18	4,722,104,089	3,190,892,364
Less: Cash and bank balances		24,778,023	56,865,862
Net Debt		4,697,326,066	3,134,026,502
Total equity		5,171,025,283	4,841,649,107
Total capital		9,868,351,349	7,975,675,609
Gearing ratio		47.60%	39.29%

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Board of Directors of the Company.

40. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The board of directors of the Company in its meeting held on October 5, 2018 proposed cash dividend at the rate of 3.5% i.e. Rs. 0.35 per share of Rs. 10 each subject to the approval of members at the forthcoming Annual General Meeting to be held on October 26, 2018.

41. RE-ARRANGEMENTS

The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year:

"Unclaimed dividend" amounting to Rs. 1,763,009/- was grouped under the head "Trade and other payables" as "Unclaimed dividend". It is now shown as separate line item under the head of "Current liabilities" on face of the "Statement of Financial Position".

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

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Annual Report 2018

**Pattern of Shareholding
AS ON 30-06-2018**

No. of Shareholders	Shareholding		Total Shares held
	From	To	
167	1	100	6,251
869	101	500	252,140
484	501	1000	345,981
1707	1001	5000	2,185,914
46	5001	10000	316,517
18	10001	15000	225,672
5	15001	20000	90,554
8	20001	25000	178,660
3	25001	30000	81,876
2	30001	35000	66,316
1	35001	40000	37,710
3	45001	50000	142,500
3	50001	55000	157,422
2	55001	60000	115,215
4	60001	65000	248,229
1	65001	70000	68,702
1	70001	75000	73,296
2	100001	105000	204,906
1	110001	115000	112,861
1	120001	125000	120,799
1	130001	135000	131,000
1	135001	140000	138,668
1	160001	165000	164,457
1	240001	245000	244,992
1	255001	260000	255,171
1	420001	425000	424,235
3	425001	430000	1,282,326
1	2240001	2245000	2,244,338
1	22010001	22015000	22,013,283
1	159490001	159495000	159,491,108
3340			191,421,099

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Annual Report 2018

**Categories of shareholders
As at June 30, 2017**

Categories of Shareholders	Number	Share held	Percentage
Directors, Chief Executive and their spouse and minor children			
Mr. Muhammad Sharif	1	1,067	0.00
Mr. Muhammad Zahid	1	159,491,108	83.32
Mst. Shaista Bilqees	1	2,020	0.00
Mst. Huma Zahid	1	2,776	0.00
Miss Mehreen Zahid	1	424,235	0.22
Mr. Wali Muhammad	1	741	0.00
Mr. Muhammad Jamshaid	1	2,776	0.00
Mr. Ahmad Zahid	1	22,013,283	11.50
Associated Companies, undertakings and related parties			
	-	-	0.00
NIT AND ICP			
I.C.P	1	5,941	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			
	9	2,249,856	1.18
Ind. / General Public			
a. Local	3,322	7,227,296	3.78
b. Foreign	-	-	-
Total	3,340	191,421,099	100.00
Shareholders holding 5% (or more)			
	2	181,504,391	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, 2018.

The Company holds 54.39% (2017: 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 executed by the subsidiary during the year.

Financial results for the year ended June 30, 2018 and June 30, 2017 are summarized below:

	2018 Rupees	2017 Rupees
Profit before taxation	572,361,801	414,382,073
Provision for taxation	249,558,240	197,258,415
Profit for the year	322,803,561	217,123,658
Earnings per share - Basic and diluted Attributable to the shareholders of the Parent (Rupees)	1.69	1.13

For and on behalf of
the Board

Dated: October 05, 2018
Lahore

Muhammad Zahid
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

To the members of Zahidjee Textile Mills Limited

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Following are the Key audit matter:

Key Audit Matters	How our audit addressed the key audit matter
Preparation of financial statements under Companies Act, 2017	
<p>The provisions of the fourth schedule to the Companies Act, 2017 (the Act) became applicable to the Group for the first time in the preparation of these annual consolidated financial statements.</p> <p>The Act has also brought certain changes with regards to preparation and presentation of the annual financial statements of the Group.</p>	<p>We reviewed and understood the requirements of the Fourth schedule to the Act. Our audit procedures included the following:</p> <ul style="list-style-type: none"> - Considered the management's process to identify the additional disclosures required in the Group's annual consolidated financial statements.

<p>As part of this transition to the requirements, the management performed a gap analysis to identify differences, between the previous and the current financial reporting framework and as a result certain changes were made in the Group's annual consolidated financial statements.</p> <p>In view of the extensive impacts in the annexed consolidated financial statements due to first time application of the fourth schedule to the Act, we considered it as a key audit matter.</p>	<ul style="list-style-type: none"> - Obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence. - Verified on test basis the supporting evidence for the additional disclosure and ensured appropriateness of the disclosures made.
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Information Other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Syed Ali Adnan Tirmizey.

**RSMVAISHYDERLIAQUATNAUMAN
CHARTERED ACCOUNTANTS**

Place: Lahore

Date: October 5, 2018

ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees	2016 Rupees
NON - CURRENT ASSETS				
Property, plant and equipment	5	6,769,618,281	6,090,853,205	5,297,821,895
Intangible assets	6	1,968,512	3,181,098	5,413,978
Investment Property	7	103,922,234	-	-
Long term security deposits		4,450,142	4,450,142	4,450,142
		6,879,959,169	6,098,484,445	5,307,686,015
CURRENT ASSETS				
Stores, spares and loose tools	8	113,884,208	138,500,935	156,143,036
Stock in trade	9	2,987,053,124	1,813,395,291	1,018,969,578
Trade debts	10	971,774,514	687,347,188	632,490,206
Loans, advances and deposit	11	162,732,486	129,823,267	143,985,887
Prepayments		1,395,389	890,774	1,016,463
Other receivables	12	103,145,845	22,295,008	22,428,753
Short term investment	13	87,690,721	66,855,325	57,388,368
Tax refunds due from Government	14	362,759,339	344,339,136	215,377,879
Cash and bank balances	15	24,926,168	56,919,568	65,517,793
		4,815,361,794	3,260,366,492	2,313,317,963
CURRENT LIABILITIES				
Trade and other payables	16	782,781,931	646,744,228	579,884,800
Interest / mark up payable	17	54,769,323	53,512,175	34,228,622
Short term borrowings	18	3,615,814,126	2,604,837,213	2,097,645,542
Unclaimed dividend		1,763,009	1,763,009	1,763,009
Current portion of long term finance	19	195,391,429	275,347,248	170,318,937
Provision for taxation - income tax	32	97,809,388	-	-
		4,748,329,206	3,580,440,864	2,883,840,910
		6,946,991,757	5,778,410,073	4,737,163,068
NON - CURRENT LIABILITIES				
Long term finance	19	927,898,534	326,707,903	547,300,136
Deferred liability				
Deferred taxation	20	551,785,282	416,519,161	54,617,692
		1,479,683,816	743,227,064	601,917,828
CONTINGENCIES AND COMMITMENTS				
	21	-	-	-
Net worth		5,467,307,941	5,035,183,009	4,135,245,240
Represented by :				
Share capital	22	1,914,210,990	1,823,058,090	1,657,325,540
Capital reserves				
Merger reserve		366,258,513	366,258,513	366,258,513
Surplus on revaluation of property, plant and equipment	23	1,321,453,916	1,372,514,179	706,100,436
Revenue reserves		1,566,226,244	1,278,641,981	1,210,838,281
		5,168,149,663	4,840,472,763	3,940,522,770
Non-controlling interest		299,158,278	194,710,246	194,722,470
		5,467,307,941	5,035,183,009	4,135,245,240

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
Sales	24	10,329,176,502	7,968,111,718
Cost of sales	25	9,295,013,528	7,159,537,994
Gross profit		1,034,162,974	808,573,724
Trading profit	26	12,709,918	2,239,689
Other income	27	30,966,890	23,676,877
		1,077,839,782	834,490,290
Distribution cost	28	118,951,254	95,345,368
Administrative expenses	29	130,151,900	96,038,469
Other operating expenses	30	32,407,058	21,811,409
Finance cost	31	223,967,769	206,912,971
		505,477,981	420,108,217
Profit before taxation		572,361,801	414,382,073
Provision for taxation	32	249,558,240	197,258,415
Profit for the year		322,803,561	217,123,658
Attributable to:			
Shareholders of the Parent		324,228,529	217,135,882
Non-controlling interest		(1,424,968)	(12,224)
		322,803,561	217,123,658
Earnings per share - Basic and diluted Attributable to the shareholders of the Parent	33	1.69	1.13

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	2018 Rupees	2017 Rupees
Profit for the year	322,803,561	217,123,658
Items that will not be subsequently reclassified to profit or loss :		
Incremental depreciation on revalued assets		
for the year - net of deferred tax	41,463,917	12,885,933
Related deferred tax	11,859,090	3,514,435
	53,323,007	16,400,368
Surplus realised on disposal		
of property, plant and equipment - net of deferred tax	859,512	-
Related deferred tax	326,115	-
	1,185,627	-
Total comprehensive income for the year	377,312,195	233,524,026
Attributable to:		
Shareholders of the Parent	378,737,163	233,536,250
Non-controlling interest	(1,424,968)	(12,224)
	377,312,195	233,524,026

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	2018 Rupees	2017 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	572,361,801	414,382,073
Adjustment for:		
Depreciation of property, plant and equipment	253,071,480	200,951,087
Depreciation of investment property	3,037,089	
Amortisation of intangible assets	1,212,586	2,232,880
Provision for doubtful debts	22,600,585	-
Balances written back	(190,224)	(214,533)
Net loss / (gain) on disposal of operating assets	2,177,119	(3,046,748)
Profit on deposits	(70,667)	(3,732,251)
Dividend income	(6,068,562)	(6,068,562)
Adjustment in fair value	(20,835,396)	(9,466,957)
Finance cost	223,967,769	206,912,971
Operating cash flows before working capital changes	1,051,263,580	801,949,960
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	24,616,727	17,642,101
Stock in trade	(1,173,657,833)	(794,425,713)
Trade debts	(307,027,911)	(54,856,982)
Loans, advances and deposit	(48,538,404)	17,895,414
Prepayments	(504,615)	125,689
Other receivables	(80,850,837)	133,745
Tax refunds due from Government	50,944,644	(55,453,123)
Increase in current liabilities		
Trade and other payables	137,990,936	67,073,961
	(1,397,027,293)	(801,864,908)
Cash (used in) / generated from operating activities	(345,763,713)	85,052
Finance cost paid	(222,710,621)	(189,392,427)
Income tax paid	(60,701,459)	(77,240,928)
Net cash (used in) operating activities	(629,175,793)	(266,548,303)

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Annual Report 2018

	2018 Rupees	2017 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in:		
Property, plant and equipment	(935,659,676)	(151,571,344)
Investment Property	(106,959,323)	-
Intangible assets	-	-
Proceeds from disposal of operating assets	1,646,000	8,092,860
Profit on deposits	70,667	3,732,251
Dividend received	-	6,068,562
Net cash (used in) investing activities	(1,040,902,332)	(133,677,671)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued during the year	105,873,000	-
Long term finance obtained	756,855,354	279,485,080
Repayment of long term finance	(235,620,542)	(395,049,002)
Increase in short term borrowings - net	1,009,976,913	507,191,671
Loan from director	1,000,000	-
Net cash generated from financing activities	1,638,084,725	391,627,749
Net (decrease) in cash and cash equivalents (a+b+c)	(31,993,400)	(8,598,225)
Cash and cash equivalents at the beginning of the year	56,919,568	65,517,793
Cash and cash equivalents at the end of the year	24,926,168	56,919,568

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	CAPITAL RESERVE			REVENUE RESERVES			Total	Non Controlling Interest
		Merger reserve	Surplus on revaluation of property, plant and equipment	Sub total	General reserve	Unappropriated profit	Sub total		
Balance as at July 01, 2016	1,657,325,540	366,258,51	-	366,258,513	300,000,00	910,838,28	1,210,838,281	3,234,422,334	194,722,470
Effect of change in accounting policy - (Note-4.24)	-	-	706,100,43	706,100,436	-	-	-	706,100,436	-
Balance as at July 01, 2016 re-stated	1,657,325,540	366,258,513	706,100,436	1,072,358,949	300,000,000	910,838,281	1,210,838,281	3,940,522,770	194,722,470
Transaction with owners									
Bonus shares issued during the year (One share for each ten shares held)	165,732,550	-	-	-	-	(165,732,550)	(165,732,550)	-	-
Surplus arisen during the year	-	-	847,457,165	847,457,165	-	-	-	847,457,165	-
Related deferred tax	-	-	(181,601,596)	(181,601,596)	-	-	-	(181,601,596)	-
	-	-	665,855,569	665,855,569	-	-	-	665,855,569	-
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	-	-	(16,400,368)	(16,400,368)	-	12,885,933	12,885,933	(3,514,435)	-
Related deferred tax	-	-	3,514,435	3,514,435	-	3,514,435	3,514,435	7,028,870	-
	-	-	(12,885,933)	(12,885,933)	-	16,400,368	16,400,368	3,514,435	-
Adjustment of deferred tax for the year	-	-	13,444,107	13,444,107	-	-	-	13,444,107	-
Balance as at June 30, 2017 re-stated	1,823,058,090	366,258,513	1,372,514,179	1,738,772,692	300,000,000	978,641,981	1,278,641,981	4,840,472,763	194,710,246
Transaction with owners									
Bonus shares issued during the year (One share for each twenty shares held)	91,152,900	-	-	-	-	(91,152,900)	(91,152,900)	-	-
Issuance of shares by the Subsidiary	-	-	-	-	-	-	-	-	105,873,000
Total comprehensive income for the year									
Profit / (loss) for the year	-	-	-	-	-	324,228,529	324,228,529	324,228,529	(1,424,968)
Other comprehensive income									
Items that will not be subsequently reclassified to profit or loss :									
Incremental depreciation on revalued assets for the year	-	-	(53,323,007)	(53,323,007)	-	41,463,917	41,463,917	(11,859,090)	-
Related deferred tax	-	-	11,859,090	11,859,090	-	11,859,090	11,859,090	23,718,180	-
Surplus realised on disposal of property, plant and equipment	-	-	(1,185,627)	(1,185,627)	-	859,512	859,512	(326,115)	-
Related deferred tax	-	-	326,115	326,115	-	326,115	326,115	652,230	-
	-	-	(42,323,429)	(42,323,429)	-	54,508,634	54,508,634	12,185,205	-
Adjustment of deferred tax for the year	-	-	(8,736,834)	(8,736,834)	-	-	-	(8,736,834)	-
Balance as at June 30, 2018	1,914,210,990	366,258,513	1,321,453,916	1,687,712,429	300,000,000	1,266,226,244	1,566,226,244	5,168,149,663	299,158,278

Note - 23

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, 2018**

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 repealed Companies Ordinance, 1984 (Repealed with the enactment of Companies Act 2017 on May 30, 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 32-KM, Tandlianwala Road, Satyana, District Faisalabad and spinning units are located at 32-KM, Sheikhpura Road, Faisalabad and M-3 Industrial Estate, Faisalabad, in the province of Punjab.
- The Subsidiary is incorporated in Pakistan as a private limited company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of Companies Act 2017 on May 30, 2017). 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. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE GROUP'S FINANCIAL POSITION AND PERFORMANCE

- The Parent has invested Rs. 815.46 million in purchase of machinery and installed new 17,472 spindles in its spinning section Which has enhanced the total number of spindles from 75,552 to 93,024, and production capacity of yarn from 27,564,817 (Kgs.) to 38,020,617 (Kgs.) after conversion into 20/s count. The expansion project started commercial production from March 01, 2018 which resulted in an increase of Rs.195.76 millions in local sales of yarn.
- During the year the Parent obtained substantial amount of long term finance amounting to Rs. 756.86 million for import of plant and machinery of new spinning unit. (See note no. 19.1)
- During the year the Parent issued bonus shares of Rs.91,152,900/-. (See note no. 22.2).
- The Subsidiary has purchased new property amounting to Rs. 106,959,323/- during the year.
- The Subsidiary has issued 10,587,300 ordinary shares of Rs.10/- each fully paid in cash during the year.
- Due to applicability of the Companies Act, 2017 certain disclosures of financial statements have been presented in accordance with the fourth schedule notified by the Securities and Exchange Commission of Pakistan vide S.R.O 1169 dated November 07,2017.

3. 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.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS's the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

4.2.1 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, 2017 and therefore, have been applied in preparing these 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 application of these amendments has no 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 effect of these amendments has resulted in additional disclosure. (see note. 19.1)

4.2.2 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 Group beginning on or after July 01, 2017 but are considered not to be relevant to the Group's operations and are, therefore, not disclosed in these financial statements.

4.2.3 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 period 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.

- **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.

- **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 Group 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 Group's financial statements.

- **Amendments to IAS 40 Investment Property:**

These amendments clarify the requirements relating to transfers of property to, or from, investment property. The amendments are effective for accounting period beginning on or after January 01, 2018. The application of amendments 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 1: First-time Adoption of International Financial Reporting Standards.
- IAS 28: Investments in Associates and Joint Ventures.

The amendments are effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019. The application of amendments is not expected to have any material impact on the Group's financial statements.

- **Annual improvements 2015-2017 Cycle**

Annual Improvements of IFRSs through 2015-2017 cycle have been issued by IASB on December, 2017, amending the following standards;

- IFRS 3: Business Combinations - Re-measurement of previously held interest.
- IFRS 11: Joint Venture - Re-measurement of previously held interest.
- IAS 12: Income Taxes – Income Tax consequences of dividends.
- IAS 23: Borrowing Costs – Borrowing costs eligible for capitalization.

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

4.2.4 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 Group's operations, therefore, not disclosed in these financial statements.

4.3 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.

4.4 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 5.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each statement of financial position 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.

Capital work-in-progress is stated at cost less accumulated depreciation and impairment in value, if any.

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.

Any revaluation increase arising on freehold land, building on freehold land and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of freehold land, building on freehold land and plant and machinery improvements is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Group's shareholders. The surplus on revaluation of building on freehold land and plant and machinery improvements to the extent of incremental depreciation charged is transferred to unappropriated profit.

During the year the Parent Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. Previously, the Parent Company's accounting policy was in accordance with the provisions of repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the Parent Company was not in alignment with the accounting treatment and presentation of revaluation surplus as prescribed in the IFRSs. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation surplus, accordingly the Parent Company has changed the accounting policy and is now following the IFRSs prescribed accounting treatment and presentation of revaluation surplus. The detailed information and impact of this change in policy is provided in note 4.24 below.

Non-operating land and building is stated at cost.

4.5 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.

4.6 Investment property

Investment property which is property held to earn rentals and / or for capital appreciation, is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on investment property is charged to income on reducing balance method at the rate of 5% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged for the month in which the property is disposed off.

Repairs 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 investment property if any, are recognised in current income.

4.7 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 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.

4.8 Impairment

The Group assesses at each statement of financial position 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.

4.9 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.

4.10 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.

4.11 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 statement of financial position 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.

4.12 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 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.

4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position 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.

4.14 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 Group or not.

4.15 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 statement of financial position date and adjusted to reflect the current best estimate.

4.16 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 statement of financial position 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 statement of financial position 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.

4.17 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.

4.18 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 statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position 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.

4.19 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.

4.20 Offsetting of financial asset and financial liability

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position, 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.

4.21 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.

4.22 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 recognised on time proportionate basis.

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease.

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.

4.23 Change in accounting policy

The Parent Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Parent Company's accounting policy for

surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Parent Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IFRSs are being followed by the Parent Company. The new accounting policy is explained under note 4.4, above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information.

The effect of change in accounting policy is summarised below:

	As at June 30, 2017			As at June 30, 2016		
	As previously	As re-stated reported	Re-statement	As previously	As re-stated reported	Re-statement
	Rupees					
Effect on statement of financial position						
Surplus on revaluation of property, plant and equipment	1,372,514,179	-	(1,372,514,179)	706,100,436	-	(706,100,436)
Capital reserves	-	1,372,514,179	1,372,514,179	-	706,100,436	706,100,436
Effect on statement of changes in equity						
Capital reserves	-	1,372,514,179	1,372,514,179	-	706,100,436	706,100,436

4.24 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.

4.25 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.

5. Property, plant and equipment

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

Note	2018 Rupees	2017 Rupees
5.1	6,015,352,863	5,218,559,749
5.7	135,894,269	293,070,504
5.8	581,528,376	565,324,426
	35,662,080	11,998,000
	1,180,693	1,900,526
	6,769,618,281	6,090,853,205

5.1 Operating assets

	Freehold land (Note 4.5)	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Office equipment	Electric appliance	Furniture and fittings	Vehicle	Total
At July 01, 2016										
Cost/valuation	1,201,880,551	2,409,246,663	133,860,659	33,720,562	12,065,603	5,610,392	6,563,885	49,911,811	4,453,652,490	
Accumulated depreciation	(122,804,503)	(281,705,292)	(60,251,831)	(7,546,627)	(6,940,190)	(1,816,960)	(3,073,548)	(32,366,754)	(516,505,705)	
Net book value	1,079,076,048	2,127,541,371	73,608,828	26,173,935	5,125,413	3,793,432	3,490,337	17,545,057	3,937,146,785	
Year ended June 30, 2017										
Operating net book value	1,079,076,048	2,127,541,371	73,608,828	26,173,935	5,125,413	3,793,432	3,490,337	17,545,057	3,937,146,785	
Additions	3,450,000	43,903,040	19,058,261	1,564,415	5,423,623	592,945	592,945	21,119,353	101,578,861	
Transfer from capital work in progress	166,746,020	371,628,117	-	-	-	-	-	-	538,374,137	
Revaluation surplus	53,462,434	713,954,783	-	-	-	-	-	-	847,457,165	
Disposals:										
Cost	-	(4,952,286)	-	-	-	(49,526)	(220,273)	(6,963,277)	(12,185,362)	
Accumulated depreciation	-	1,196,393	-	-	-	12,290	95,169	5,835,398	7,139,250	
	-	(3,755,893)	-	-	(37,236)	(125,104)	-	(1,127,879)	(5,046,112)	
Depreciation charge	(60,055,359)	(122,563,613)	(8,736,364)	(2,811,138)	(618,451)	(757,703)	(392,125)	(5,016,334)	(200,951,087)	
Closing net book value	1,242,679,143	3,130,727,805	83,930,725	24,927,212	10,043,950	8,334,248	3,691,157	32,520,197	5,218,559,749	
At July 01, 2017										
Operating net book value	1,242,679,143	3,130,727,805	152,918,920	35,284,977	17,590,301	10,813,742	7,156,830	64,067,887	5,342,944,917	
Cost/valuation	-	-	(68,988,195)	(10,357,765)	(7,546,351)	(2,479,494)	(3,465,673)	(31,547,690)	(124,385,168)	
Accumulated depreciation	-	-	83,930,725	24,927,212	10,043,950	8,334,248	3,691,157	32,520,197	5,218,559,749	
Net book value	1,242,679,143	3,130,727,805	83,930,725	24,927,212	10,043,950	8,334,248	3,691,157	32,520,197	5,218,559,749	
Year ended June 30, 2018										
Operating net book value	1,242,679,143	3,130,727,805	83,930,725	24,927,212	10,043,950	8,334,248	3,691,157	32,520,197	5,218,559,749	
Additions	-	815,458,011	13,602,304	1,457,739	219,353	1,181,080	406,160	2,265,650	834,590,297	
Transfer from capital work in progress	205,888,979	13,208,438	-	-	-	-	-	-	219,097,417	
Disposals:										
Cost	-	(3,864,640)	-	-	-	-	-	(471,500)	(4,336,140)	
Accumulated depreciation	-	95,719	-	-	-	-	-	417,302	513,021	
	-	(3,768,921)	-	-	-	-	-	(54,198)	(3,823,119)	
Depreciation charge	(66,423,311)	(166,026,234)	(9,063,788)	(2,674,906)	(1,011,088)	(863,237)	(395,931)	(6,612,986)	(253,071,481)	
Closing net book value	1,382,144,811	3,789,599,099	88,469,241	23,710,045	9,252,215	8,652,091	3,701,386	28,118,663	6,015,352,863	
At June 30, 2018										
Operating net book value	1,448,568,122	3,955,529,614	166,521,224	36,742,716	17,809,654	11,994,822	7,562,990	65,862,037	6,392,296,491	
Cost/valuation	(66,423,311)	(165,930,515)	(78,051,963)	(13,032,671)	(8,557,439)	(3,342,731)	(3,861,604)	(37,743,374)	(376,945,628)	
Accumulated depreciation	-	-	88,469,241	23,710,045	9,252,215	8,652,091	3,701,386	28,118,663	6,015,352,863	
Net book value	1,382,144,811	3,789,599,099	88,469,241	23,710,045	9,252,215	8,652,091	3,701,386	28,118,663	6,015,352,863	
Annual rate of depreciation (%)	-	5	5	10	10	10	10	10	20	

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	Note	2018 Rupees	2017 Rupees
5.2 Depreciation for the year has been allocated as under:			
Cost of sales	24.1	245,213,497	194,924,177
Administrative expenses	28	7,857,983	6,026,910
		253,071,481	200,951,087

5.3 Had there been no revaluation, the carrying values of freehold land, building on freehold land and plant and machinery at June 30, 2018 and 2017 would have been as follows:

	Carrying value	
	2018 Rupees	2017 Rupees
Freehold land	149,477,863	149,477,863
Building on freehold land	1,294,758,878	1,150,693,951
Plant and machinery	2,862,031,994	2,153,251,325
	4,306,268,735	3,453,423,139

5.4 The forced sale value of revalued freehold land, building on freehold land and plant and machinery is Rs. 3,860,421,372/-.

5.5 Detail of disposal of operating assets

2018					
Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Rupees					
Plant and machinery (by negotiation)	3,390,732	84,769	3,305,963	534,000	Mr. Shfaqat Ali, Kabbar Market, Dar-ul-Ihsan Town, Summadri Road, Faisalabad.
	107,647	1,794	105,853	100,000	Allah Hoo Engineering Works, Samundri Road, Faisalabad.
	366,261	9,157	357,104	600,000	Abdul Hafeez, Dar-ul-Ahsan Town, Samundri Road, Faisalabad.
	3,864,640	95,719	3,768,921	1,234,000	
Vehicles (by negotiation)	16,500	8,020	8,480	12,000	Mr. Alam Sher, Chak No. 258 Tibbah, Toba Tak Singh.
	455,000	409,282	45,718	400,000	Mr. Rasheed Ahmed, Chak No. 239, Kror Laali, P/O 241, Layyah.
	471,500	417,302	54,198	412,000	
	4,336,140	513,021	3,823,119	1,646,000	

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2017					
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	A.A Traders, Jinnah Colony, Faisalabad.
	4,952,286	1,196,393	3,755,893	3,861,010	
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	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	36,449	50,468	30,000	M/s. Technomaster, Maqbool Road, Sityana Road, Faisalabad.
	220,273	95,169	125,104	55,000	
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	
	5,373,393	4,802,440	570,953	3,100,000	Mr. Farooq Yousaf Ghurki, H# 29, 10 B-I, Township Lahore
1,252,075	815,012	437,063	850,000	Mr. Muhammad Qasim S-5, Phase-III, DHA, Lahore.	
	6,963,277	5,835,398	1,127,879	4,171,850	
	12,185,362	7,139,250	5,046,112	8,092,860	

5.6 Particulars of immovable property (i.e. land and building) in the name of the Company are as follow

Location	Usage of immovable property	Total Area (in square foot)
a) 32-KM, Sheikhpura Road, Faisalabad.	Spinning unit and power house	660,752
b) 32-KM, Tandlianwala Road, Faisalabad.	Weaving unit	628,899
c) Raja Bolay, Tehsil Cantt, District Lahore.	Godown	1,971,094
d) Plot # 6, M-3 Industrial Estate, Faisalabad.	Spinning unit and power house	756,856
e) 20, Bilal Road, Civil Lines, Faisalabad.	Office	49,550
f) 20-B, Race Course Road, Civil Lines, Faisalabad.	Office	10,890
g) Small industrial Estate Road, Faisalabad.	Export house	11,707

5.7 Capital work in progress

	Civil work	Plant and machinery	Total
	Rupees		
Balance as at July 1, 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)	(371,628,117)	(538,374,137)
Balance as at June 30, 2017	293,070,504	-	293,070,504
Additions	47,832,724	14,088,458	61,921,182
Transfer to operating assets	(205,888,979)	(13,208,438)	(219,097,417)
Balance as at June 30, 2018	135,014,249	880,020	135,894,269

5.8 It represents land held for future expansion.

5.9 Particulars of immovable property (i.e. non- operating land) in the name of the Company are as follows:

Location	Usage of immovable property	Total Area (in square foot)
a) Raja Bolay, Tehsil Cantt, District Lahore.	Land held for future expansion	69,404
b) Deve Khurd Kalan, Tehsil Model Town, District Lahore.	Land held for future expansion	14,974

6. Intangible assets

Computer software and license

	Note	2018 Rupees	2017 Rupees
Cost		11,164,402	11,164,402
Accumulated amortisation		(9,195,890)	(7,983,304)
Written down value		1,968,512	3,181,098

6.1 Reconciliation of written down value

	Note	2018 Rupees	2017 Rupees
Opening written down value		3,181,098	5,413,978
Amortisation for the year	29	(1,212,586)	(2,232,880)
Closing balance		1,968,512	3,181,098

6.1.1 Amortisation rate is 20% per annum.

7. Investment property

Land

Cost	23,938,150	-
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Building

Opening net book value as at July 01,	-	-
Addition during the year - cost	83,021,173	-
Depreciation charge	(3,037,089)	-
Closing net book value as at June 30,	79,984,084	-
Land and building closing balance as at June 30,	103,922,234	-
Annual rate of depreciation (%)	5	-

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7.1 The fair value of investment property as at June 30, 2018 approximates its cost.

7.2 Particulars of investment property in the name of the Subsidiary are as follows:

Location	Total Area (in square foot)
2-B/1 Block H Gulberg II, Jail Road, Lahore	7,775.48

	Note	2018 Rupees	2017 Rupees
8. Stores, spares and loose tools			
Stores		63,051,034	66,644,716
Spares	8.1	50,511,533	71,506,674
Loose tools		321,641	349,545
		113,884,208	138,500,935

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

	Note	2018 Rupees	2017 Rupees
9. Stock in trade			
Raw materials in hand	9.1	2,481,314,014	1,441,535,919
in transit		198,071,621	-
		2,679,385,635	1,441,535,919
Work in process		84,099,138	90,886,838
Finished goods	9.1	206,626,535	260,440,981
Waste		16,941,816	20,531,553
		2,987,053,124	1,813,395,291

9.1 Stock in trade amounting to Rs. 2,211.90 million (2017: Rs. 1,275.20 million) was pledged as security with the banking companies.

	Note	2018 Rupees	2017 Rupees
10. Trade debts			
Considered good			
Secured			
Foreign	10.1	40,020,753	35,754,788
Unsecured			
Foreign	10.1	228,780,907	177,167,631
Local		702,972,854	474,424,769
		931,753,761	651,592,400
Considered doubtful			
Unsecured			
Foreign	10.1	22,600,585	-
Less: Provision for doubtful debts		(22,600,585)	-
		-	-
Local		61,632,959	61,632,959
Less: Provision for doubtful debts		(61,632,959)	(61,632,959)
		-	-
		971,774,514	687,347,188

	Note	2018 Rupees	2017 Rupees
10.1 Following are the details of debtors in relation to export sales:			
Jurisdiction	Category		
Africa	Letter of credit	7,823,749	-
	Cash against documents	22,600,585	19,515,307
		30,424,334	19,515,307
Asia	Letter of credit	1,209,032	-
Europe	Letter of credit	16,418,382	13,355,993
	Cash against documents	25,161,038	21,448,598
		41,579,420	34,804,592
North America	Cash against documents	55,004,685	6,416,664
South America	Letter of credit	16,019,924	22,007,792
	Cash against documents	147,164,850	130,178,063
		63,184,774	152,185,855
		291,402,245	212,922,419
11. Loans, advances and deposit			
Considered good			
Advances			
Employees		175,983	2,600,078
Suppliers		88,685,956	41,267,266
For purchases and expenses		1,039,127	2,909,901
Income tax		61,611,743	77,240,797
Letters of credit fee and expenses		11,219,677	5,805,094
		162,732,486	129,823,136
12. Other receivables			
Considered good			
Export rebate / duty drawback		93,733,034	17,725,720
Dividend receivable		5,158,278	-
Other		4,254,533	4,569,288
		103,145,845	22,295,008
13. Short term investment			
Financial assets at fair value through profit or loss			
Quoted securities			
Habib Metropolitan Bank Limited			
2,022,854 (2017: 2,022,854)			
Ordinary shares of Rs.10/- each		66,855,325	57,388,368
Adjustment in fair value		20,835,396	9,466,957
		87,690,721	66,855,325
14. Tax refunds due from Government			
Income tax		203,282,549	134,075,981
Sales tax		159,476,790	210,263,155
		362,759,339	344,339,136

	Note	2018 Rupees	2017 Rupees
15. Cash and bank balances			
Cash in hand		5,372,591	7,938,755
Cash at banks			
In current accounts		19,129,920	48,781,660
In PLS accounts	15.1	423,657	199,153
		<u>24,926,166</u>	<u>56,919,566</u>

15.1 Effective profit rate in respect of PLS accounts was 3.75% to 3.90% per annum (2017 : 3.80% to 4.00% per annum).

	Note	2018 Rupees	2017 Rupees
16. Trade and other payables			
Creditors		577,892,907	421,551,017
Accrued liabilities		101,308,286	104,079,921
Advance from customers		29,522,449	49,977,520
Payable to provident fund		6,296,082	6,707,707
Workers' profit participation fund	16.1	30,229,939	21,811,409
Security deposit payable		750,000	-
Withholding taxes		31,512,385	9,255,405
Others	16.2	5,269,883	31,598,240
		<u>782,781,931</u>	<u>644,981,219</u>

16.1 Workers' profit participation fund

Opening balance		21,811,409	17,385,877
Interest on funds utilised in the Company's business		532,408	419,476
		<u>22,343,817</u>	<u>17,805,353</u>
Paid to workers on behalf of the fund		(22,343,817)	(17,805,353)
		<u>-</u>	<u>-</u>
Allocation for the year		30,229,939	21,811,409
		<u>30,229,939</u>	<u>21,811,409</u>

16.2 It represents balance of exchange loss of Rs. 5,269,883/- (2017: Rs. 22,967,873/-) and early termination charges of Rs. Nil (2017: 8,630,367/-) on cross currency swap payable as per settlement agreement.

		2018 Rupees	2017 Rupees
17. Interest / mark up payable			
Interest / mark up payable on:			
Short term borrowings		40,732,504	40,736,035
Long term finance		14,036,819	12,776,140
		<u>54,769,323</u>	<u>53,512,175</u>

	Note	2018 Rupees	2017 Rupees
18. Short term borrowings			
Secured			
From banking companies			
Export finances	18.2	920,850,000	960,500,000
Running finances	18.2	331,116,803	288,477,528
Cash finances	18.3	2,207,889,291	1,163,753,617
Un-secured			
From directors and associates	18.4	155,958,032	192,106,066
		3,615,814,126	2,604,837,213

18.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs. 2,097.37 million (2017 : Rs. 2,332.77 million).

18.2 These are secured against first joint parri 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 (2017: one month KIBOR plus 1% to 1.5% per annum, three months KIBOR plus 1% to 3% per annum) and SBP rate plus 1% per annum (2017: SBP rate plus 1% to 1.5% per annum).

The effective rate of mark up charged during the year ranges from 3.00% to 10.52% per annum (2017: 3.00% to 10.50% per annum).

18.3 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 1.25% per annum and three months KIBOR plus 1% per annum (2017: one month KIBOR plus 1% to 1.5% per annum and three months KIBOR plus 1% to 1.5% per annum).

The effective rate of mark up charged during the year ranges from 7.13% to 7.92% per annum (2017: 7.02% to 7.40%).

18.4 These are interest free and obtained for meeting working capital requirements of the company.

	Note	2018 Rupees	2017 Rupees
19. Long term finance			
Secured			
From banking companies			
Under mark up arrangements			
Term finances	19.2	671,348,857	506,337,755
Demand finances	19.2	383,075,866	-
Diminishing Musharakah	19.2	68,865,240	95,717,396
		1,123,289,963	602,055,151
Less : Current portion			
Installments due		(37,500,000)	(37,500,000)
Payable within one year		(157,891,429)	(237,847,248)
		(195,391,429)	(275,347,248)
		927,898,534	326,707,903
19.1 Reconciliation of long term financing:			
Balance as at July 1, 2017		602,055,151	717,619,073
Obtained during the year		756,855,354	279,485,080
		1,358,910,505	997,104,153
Paid during the year		(235,620,542)	(395,049,002)
		1,123,289,963	602,055,151
19.2 The terms of repayment of finances are as under;			

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Nature of loans	Balance Rupees	Number of installments		Payment rests	Commencement date	Ending date	Markup rate
		Total	Balance				
Term finances							
I	68,178,756	16	2	Quarterly	31-Mar-15	31-Dec-18	3 Months KIBOR + 1.5% p.a
II	67,021,290	16	11	Quarterly	25-Jun-17	25-Mar-21	SBP Rate + 1.5% p.a
III	16,543,719	16	12	Quarterly	5-Aug-17	5-May-21	SBP Rate + 1.5% p.a
IV	8,600,376	16	13	Quarterly	11-Oct-17	11-Jul-21	SBP Rate + 1.5% p.a
V	51,420,971	16	14	Quarterly	13-Jan-18	13-Oct-21	SBP Rate + 1.5% p.a
VI	74,039,000	16	14	Quarterly	27-Jan-18	27-Oct-21	SBP Rate + 1.5% p.a
VII	5,062,500	16	15	Quarterly	20-May-18	20-Feb-22	SBP Rate + 1.5% p.a
VIII	10,956,995	16	10	Quarterly	31-Mar-17	31-Dec-20	SBP Rate + 1.5% p.a
IX	26,465,000	36	36	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
X	4,209,000	36	36	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
XI	6,352,000	36	36	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
XII	49,384,000	36	36	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
XIII	23,039,000	36	36	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XIV	4,007,000	36	36	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XV	106,348,000	36	36	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XVI	48,353,000	36	36	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XVII	56,843,000	36	36	Quarterly	6-Mar-19	6-Dec-27	SBP Rate + 1% p.a
XVIII	44,525,250	36	36	Quarterly	7-Aug-19	7-May-28	SBP Rate + 1% p.a
	671,348,857						
Demand Finances							
I	44,529,100	36	36	Quarterly	12-Jul-19	12-Apr-28	SBP Rate + 2.5% p.a
II	17,090,141	36	36	Quarterly	6-May-19	6-Feb-28	SBP Rate + 2.5% p.a
III	3,649,000	36	36	Quarterly	23-Apr-19	23-Jan-28	SBP Rate + 2.5% p.a
IV	53,375,200	36	36	Quarterly	6-May-19	6-Feb-28	SBP Rate + 2.5% p.a
V	13,088,725	36	36	Quarterly	27-May-19	27-Feb-28	SBP Rate + 2.5% p.a
VI	7,310,300	36	36	Quarterly	12-Jul-19	12-Apr-28	SBP Rate + 2.5% p.a
VII	104,476,000	36	36	Quarterly	7-Apr-19	7-Jan-28	SBP Rate + 2.5% p.a
VIII	3,800,000	36	36	Quarterly	1-Mar-19	5-Dec-27	SBP Rate + 2.5% p.a
IX	6,431,000	36	36	Quarterly	12-Feb-19	12-Nov-27	SBP Rate + 2.5% p.a
X	70,211,400	36	36	Quarterly	1-Apr-19	30-Jan-28	SBP Rate + 2.5% p.a
XI	59,115,000	36	36	Quarterly	1-Jul-19	6-Mar-28	SBP Rate + 2.5% p.a
	383,075,866						
Diminishing Musharakah							
I	29,978,200	12	7	Quarterly	9-May-17	9-Feb-20	3 Months KIBOR + 1.25% p.a
II	38,887,040	10	8	Quarterly	9-Jan-18	9-Apr-20	3 Months KIBOR + 1.25% p.a
	68,865,240						

The loans are secured against first joint parri passu charge and ranking charge over present and future fixed assets 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. 396.40 million (2017: Rs. 519.95 million.)

Effective markup rates charged during the year ranges from 3.00% to 7.93% per annum (2017: 4.00% to 7.65%).

	2018 Rupees	2017 Rupees
20. Deferred taxation		
Opening balance	416,519,161	54,617,692
(Reversal) of deferred tax related to:		
Incremental depreciation on revalued assets	(11,859,090)	(3,514,435)
Surplus realised on disposal of revalued assets	(326,115)	-
Provision of deferred tax on surplus	8,736,834	168,157,489
Provided during the year	138,714,492	197,258,415
	551,785,282	416,519,161

	2018 Rupees	2017 Rupees
20.1 It represents the following:		
Deferred tax liability:		
Difference between accounting and tax bases of assets	577,947,411	547,865,327
Deferred tax asset:		
Carry forward tax credits and losses	<u>(26,162,129)</u>	<u>(131,346,166)</u>
	<u>551,785,282</u>	<u>416,519,161</u>

21. CONTINGENCIES AND COMMITMENTS

Contingencies

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date Instituted
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Income Tax

Commissioner Inland Revenue (Appeals)	The assessing officer of Inland Revenue passed orders and created demands of Rs. 75,000/- (2017: Rs. 75,000/-), Rs. 42,778,422/- (2017: Rs. 42,778,422/-) in respect of tax year 2014 and Rs. 46,673,768/- (2017: Rs. 46,673,768/-) in respect of tax year 2015. Currently appeals against these orders are pending before Commissioner (Appeals) Faisalabad. The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	April 06, 2017 April 20, 2017 April 24, 2017
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Sales Tax

Commissioner Inland Revenue (Appeals)	The assessing officer of Inland Revenue passed orders in respect of tax period July-2015 to June-2016, July-2011 to June-2016, November-2013 and July-2011 to April-2012 and created demand of Rs. 61,734,321/- (2017: Rs. Nil), Rs. 9,405,301/- (2017: Rs. Nil), Rs. 439,654/- (2017: Rs. 279,643/-) and Rs. 232,667/- (2017: Rs. 232,667/-) respectively. Currently the cases are pending for adjudication before Commissioner Inland Revenue (Appeals). The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	June 10, 2015 June 30, 2017 November 10, 2017 June 14, 2018
Appellate Tribunal Inland Revenue	The assessing officer of Inland Revenue passed orders in original in respect of tax periods from August-2013 to July-2015 and July-2010 to June-2011 and created demand of Rs. 8,806,053/- (2017: Rs. 8,806,053/-). Being aggrieved by the orders the company filed appeals before the CIR(A) against the ONOs. The CIR(A) partially set aside the demand of Rs. 1,545,923/- and disposed off the appeals. The company filed the appeals before ATIR for the remaining demand. Currently the case is pending for adjudication before ATIR. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	March 22, 2014 August 22, 2016

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Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date Instituted
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Other

Civil Court	The Director Social Security issued an order based on reassessment of number of employees and demanded Rs. 4,192,808/- (2017: Rs. 4,192,808/-) contribution regarding prior years. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Director Social Security	October 25, 2016
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2018	2017
Rupees	Rupees

Bank guarantees issued in favour of :		
Sui Northern Gas Pipelines Limited for supply of gas	86,820,000	43,788,000
Faisalabad Electric Supply Company Limited for supply of electricity.	21,342,760	17,021,760
Punjab Power Development Board for bidding of hydropower generation Project	-	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.	118,921,446	66,050,261
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Commitments

Under letters of credit for:		
Plant and machinery	11,233,812	-
Raw material and spare parts	54,595,607	343,950,652
Under contracts for purchase of land	123,683,320	202,412,630

22. Share capital

22.1 Authorised capital

2017	2018		2018	2017
Number of shares	Number of shares		Rupees	Rupees
220,000,000	220,000,000	Ordinary shares of Rs. 10/- each.	2,200,000,000	2,200,000,000

22.2 Issued, subscribed and paid up capital

2017	2018		2018	2017
Number of shares	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	16,573,255	Ordinary shares of Rs.10/- each issued as fully paid bonus shares.	165,732,550	165,732,550
-	9,115,290	Ordinary shares of Rs.10/- each issued during the year as fully paid bonus shares.	91,152,900	-
182,305,809	191,421,099		1,914,210,990	1,823,058,090

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	2018 Rupees	2017 Rupees
23. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Surplus on revaluation of property, plant and equipment at the beginning of the year	1,601,689,121	770,632,324
Surplus arisen on revaluation carried out during the year	-	847,457,165
Transferred to unappropriated profit in respect of :		
Incremental depreciation	(53,323,007)	(16,400,368)
Surplus realised on disposal	(1,185,627)	-
	(54,508,634)	(16,760,259)
Surplus on revaluation of property, plant and equipment as at June 30,	1,547,180,487	1,601,689,121
Related deferred tax liability on:		
Revaluation at the beginning of the year	229,174,942	64,531,888
Deferred tax relating to:		
Incremental depreciation	(11,859,090)	(3,514,435)
Surplus realised on disposal	(326,115)	-
Deferred tax provided during the year	8,736,834	168,157,489
	225,726,571	229,174,942
	1,321,453,916	1,372,514,179

23.1 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	2018 Rupees	2017 Rupees
24. Sales			
Export			
Cloth / made ups	24.1	2,020,704,966	1,766,454,834
Local			
Yarn		7,861,522,624	5,911,274,069
Cloth		29,392,585	41,965,628
Waste and left over		352,280,051	266,394,449
Conversion receipts		40,783,009	22,573,483
		8,283,978,269	6,242,207,629
		10,304,683,235	8,008,662,463
Add: Export rebate / duty drawback		93,646,506	1,463,442
		10,398,329,741	8,010,125,905
Less: Commission and claims		69,153,239	42,014,187
		10,329,176,502	7,968,111,718

24.1 It includes exchange gain of Rs. 33,171,840/- (2017: Rs. 2,495,734/-).

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	Note	2018 Rupees	2017 Rupees
25. Cost of sales			
Cost of goods manufactured	24.1	9,237,609,345	7,273,212,862
Finished goods			
Opening stock		280,972,534	167,297,666
Closing stock		(223,568,351)	(280,972,534)
		57,404,183	(113,674,868)
		9,295,013,528	7,159,537,994
25.1 Cost of goods manufactured			
Raw material consumed	25.1.1	7,125,618,381	5,552,705,744
Packing material consumed		93,295,226	77,520,634
Salaries, wages and benefits		616,792,349	555,401,881
Retirement benefits		21,830,989	19,755,900
Stores and spares consumed		315,579,146	238,873,028
Fuel and power		772,540,585	604,622,565
Repairs and maintenance		20,970,862	14,958,639
Insurance		13,921,868	13,911,563
Depreciation	5.2	245,213,497	194,924,177
Other		5,058,742	5,457,046
		9,230,821,645	7,278,131,177
Work in process			
Opening stock		90,886,838	85,968,523
Closing stock		(84,099,138)	(90,886,838)
		6,787,700	(4,918,315)
		9,237,609,345	7,273,212,862
Opening stock		1,441,535,919	765,703,389
Purchases including purchase expenses		8,165,396,476	6,228,538,274
		9,606,932,395	6,994,241,663
Closing stock		(2,481,314,014)	(1,441,535,919)
		7,125,618,381	5,552,705,744
26. Trading profit			
Sale of cotton / polyester		247,369,015	77,941,131
Cost of sales		234,659,097	75,701,442
		12,709,918	2,239,689
27. Other income			
Income from financial assets:			
Profit on deposits		70,667	3,732,251
Dividend		6,068,562	6,068,562
Adjustment in fair value		20,835,396	9,466,957
Rental income		2,352,944	-
Income from assets other than financial assets:			
Scrap sales		1,449,097	1,147,826
Gain on disposal of operating assets		-	3,046,748
Balances written back		190,224	214,533
		30,966,890	23,676,877
28. Distribution cost			
Ocean freight		68,316,861	46,146,277
Local freight		16,500,169	11,012,979
Clearing and forwarding		26,037,415	30,281,230
Export development surcharge		4,765,462	4,545,214
Insurance		940,295	543,744
Other		2,391,052	2,815,924
		118,951,254	95,345,368

	Note	2018 Rupees	2017 Rupees
29. Administrative expenses			
Directors' remuneration		1,980,000	1,785,000
Staff salaries and benefits		50,376,487	47,082,073
Retirement benefits		3,180,656	3,390,842
Postage and telecommunication		3,330,057	3,281,656
Vehicles running and maintenance		11,357,743	11,779,017
Travelling and conveyance		1,066,830	4,582,172
Printing and stationery		1,331,117	1,168,951
Electricity and gas		2,517,904	2,054,846
Fees, subscriptions and periodicals		9,373,897	3,082,358
Advertisement		123,300	108,866
Insurance		674,213	161,124
Auditors' remuneration	28.1	1,307,000	1,307,000
Legal and professional		2,721,462	1,254,317
Rent, rates and taxes		421,296	890,028
Entertainment		2,277,613	1,915,962
Provision for doubtful debts		22,600,585	-
Depreciation on operating assets	4.2	7,857,983	6,026,910
Depreciation on investment property		3,037,089	-
Amortisation of intangible assets	5.1	1,212,586	2,232,880
Other		3,403,965	3,934,467
		130,151,900	96,038,469
29.1 Auditors' remuneration			
Audit fee		1,030,000	1,030,000
Fee for the review of half yearly financial information		161,250	161,250
Other Certifications		15,750	15,750
Out of pocket expenses		100,000	100,000
		1,307,000	1,307,000
30. Other operating expenses			
Workers' profit participation fund		30,229,939	21,811,409
Loss on disposal of operating assets-net		2,177,119	-
		32,407,058	21,811,409
31. Finance cost			
Interest / mark up on:			
Short term borrowings		170,695,445	152,456,775
Long term finance		45,814,560	46,972,390
Workers' profit participation fund		532,408	419,476
Bank charges and commission		6,925,356	7,064,330
		223,967,769	206,912,971
32. Provision for taxation			
Current			
for the year		97,287,388	-
for prior year		13,034,360	-
Deferred		138,714,492	197,258,415
		249,558,240	197,258,415
32.1 Relationship between tax expense and accounting profit			

Reconciliation between accounting profit and tax expense has not been presented in these financial statements as income of the Parent Company is subject to turnover tax and final tax under Section 113 and 154 of the Income Tax Ordinance, 2001. The rental income of the Subsidiary is subject to tax under separate block of income .

32.2 No provision for tax has been made in tax year 2015, 2016 and 2017 due to available tax credits and brought forward tax losses.

	2018	2017
33. Earnings per share - Basic and diluted		
Profit for the year (Rupees)	324,228,529	217,135,882
Weighted average number of ordinary shares outstanding during the year	191,421,099	191,421,099
Earnings per share - Basic and diluted (Rupees)	1.69	1.13

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

34. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2018			2017		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
Remuneration	768,000	499,200	17,011,200	768,000	374,400	32,069,760
House rent allowance	345,600	224,640	7,655,040	345,600	168,480	14,431,392
Medical allowance	76,800	49,920	1,701,120	76,800	37,440	3,206,976
Utilities allowance	9,600	6,240	212,640	9,600	4,680	400,872
	1,200,000	780,000	26,580,000	1,200,000	585,000	50,109,000
Number of persons	1	1	9	1	1	45

34.1 Chief Executive Officer is entitled to free use of the Company maintained vehicle. The monetary value of running and maintenance is Rs. 2,167,470/- (2017: Rs. 1,607,464/-). The Directors have waived off their meeting fee.

35. 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 33. There is no other significant transaction with related parties.

Relationship with the Company	Nature of transactions	2018 Rupees	2017 Rupees
Director	Shares issued	57,638,000	-
	Loan	1,000,000	-
		2018	2017

35. DISCLOSURE WITH REGARD TO PROVIDENT FUND

Size of the fund	(Rupees)	94,987,325	87,767,093
Cost of investment made	(Rupees)	-	-
Percentage of investment made	(Percentage)	0.00%	0.00%
Fair value of investment	(Rupees)	-	-

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

	2018	2017
37. NUMBER OF EMPLOYEES		
Total number of employees as at June 30	1679	1176
Total number of factory employees as at June 30	1585	1110
Average number of employees during the year	1684	1134
Average number of factory employees during the year	1587	1069

38. PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning

Number of spindles installed	93,024	75,552
Number of spindles worked	93,024	75,552
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	38,020,617	31,755,175
Actual production of yarn 27,522,588 Kgs (2017: 24,943,782 Kgs) after conversion into 20/s count (Kgs)	33,847,535	31,446,125

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)	36,352,135	35,698,954

38.1 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.

39. 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.

	2018 Rupees	2017 Rupees
39.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets at amortised cost:		
Long term deposits	4,450,142	4,450,142
Trade debts	971,774,514	687,347,188
Loans, advances and deposit	175,983	2,600,078
Other receivables	4,254,533	4,569,288
Cash and bank balances	24,778,023	56,919,568
	<u>1,005,581,340</u>	<u>755,886,264</u>
Financial asset at fair value:		
Short term investments	<u>87,690,721</u>	<u>66,855,325</u>

	2018 Rupees	2017 Rupees
Financial liabilities at amortised cost:		
Trade and other payables	691,517,158	565,699,894
Interest / mark up payable	54,769,323	53,512,175
Short term borrowings	3,615,814,126	2,604,837,213
Long term finance	1,123,289,963	602,055,151
	<u>5,485,390,570</u>	<u>3,826,104,433</u>

39.2 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:

39.2.1 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:

	2018 Rupees	2017 Rupees
Long term deposits	4,450,142	4,450,142
Trade debts	971,774,514	687,347,188
Loans, advances and deposit	175,983	2,600,078
Other receivables	4,254,533	4,569,288
Bank balances	19,129,920	48,781,660
	<u>999,785,092</u>	<u>747,748,356</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:

	2018 Rupees	2017 Rupees
Not past due	965,575,120	679,432,624
Past due	90,432,938	69,547,523
Less: Provision for doubtful debts	(84,233,544)	(61,632,959)
	<u>6,199,394</u>	<u>7,914,564</u>
	<u>971,774,514</u>	<u>687,347,188</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.

38.2.2 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, 2018 and June 30, 2017.

	2018					
	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	691,518	691,518	691,518	-	-	-
Interest / mark up payable	54,769	54,769	54,769	-	-	-
Short term borrowings	3,615,814	3,745,653	3,745,653	-	-	-
Long term finance	1,123,290	1,317,953	140,525	110,421	739,317	327,689
	5,485,391	5,809,893	4,632,465	110,421	739,317	327,689
	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	-

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. 1,548.30 million (2017: Rs. 1,177.78 million) and unavailed borrowing facilities of Rs. 2,097.37 million (2017: Rs. 2,332.77 million).

39.2.3 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.10.83 million (2017: Rs. 9.97 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. 291.40 million (2017: Rs. 212.93 million).

At June 30, 2018, 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.15.02 million (2017: Rs. 10.65 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. 87.69 million (2017: Rs. 66.86 million).

At June 30, 2018, 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. 4.38 (2017: Rs. 3.34 million).

39.3 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.

39.4 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, 2018 and 2017 were as follows:

	Note	2018 Rupees	2017 Rupees
Total Debt	18 & 19	4,739,104,089	3,206,892,364
Less: Cash and bank balances		24,926,168	56,919,568
Net Debt		4,714,177,921	3,149,972,796
Total equity		5,168,149,663	3,467,928,584
Total capital		9,882,327,584	6,617,931,380
Gearing ratio		47.70%	47.60%

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Board of Directors of the Company.

41. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The board of directors of the Company in its meeting held on October 5, 2018 proposed cash dividend at the rate of 3.5% i.e. Rs. 0.35 per share of Rs. 10 each subject to the approval of members at the forthcoming Annual General Meeting to be held on October 26, 2018.

42. GENERAL

42.1 Re-arrangement

The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year:

42.2 "Unclaimed dividend" amounting to Rs. 1,763,009/- was grouped under the head "Trade and other payables" as "Unclaimed dividend". It is now shown as separate line item under the head of "Current liabilities" on face of the "Statement of Financial Position".



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 a member of the company vide Registered Folio No.....of failing him/her Mr./Ms.....of.....Who is also 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 29th Annual General Meeting of the Company to be held at Registered office 2H, Gulberg II, Jail Road, Lahore, on Tuesday October 26, 2018 at 10:30A.M and at any adjournment thereof. As witness my/our hand this.....day of.....2018. Signed by said..... in the presence of.....

Date: Member's Signature

Place:

Please affix here
Revenue stamp
of ruppes five
and sign across

Witness's Name Witness's Name

Witness's Signature Witness's Signature

Witness's CNIC Witness's CNIC

Important:

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 detail 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.

ZAHIDJEE TEXTILE MILLS LIMITED

Zahidjee House: 2-H, Gulberg II, Jail Road, Lahore.

Tel: 042-35777291-5 URL: www.zahidjee.com.pk