



# Prosperity Weaving Mills Ltd.



## ANNUAL REPORT 2018

## CONTENTS

Company Information	2
Notice of Annual General Meeting	3
Vision and Mission Statement	7
Chairman Review Report	13
Directors' Report to the Members	15
Statement of Compliance with listed Companies (Code of Corporate Governance) Regulations, 2017	25
Shareholders' Information	28
Pattern of Shareholding	32
Key Financial Information	34
Independent Auditors' Review Report to the Members on the Statement of Compliance contained in listed companies (Code of Corporate Governance) Regulations, 2017	36
Independent Auditors' Report to the Members	37
Statement of Financial Position	41
Statement of Profit or Loss and Other Comprehensive income	43
Statement of Cash Flows	44
Statement of Changes in Equity	45
Notes to the Financial Statements	46
Form of Proxy	75

## COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	<p>Mr. Shahzada Ellahi Shaikh          Mr. Hasan Ahmed          Mr. Javaid Bashir Sheikh          Mr. Shafqat Ellahi Shaikh          Mr. Amin Ellahi Shaikh          Mr. Haroon Shahzada Ellahi Shaikh          Mr. Shaukat Ellahi Shaikh          Mr. Tariq Zafar Bajwa</p>	<p>Non-Executive Director / Chairman          Independent Non Executive Director          Non-Executive Director          Non-Executive Director          Non-Executive Director          Non-Executive Director          Non-Executive Director          Executive Director</p>
<b>MANAGING DIRECTOR (Chief Executive)</b>	Mr. Raza Ellahi Shaikh	
<b>AUDIT COMMITTEE</b>	<p>Mr. Hasan Ahmed          Mr. Amin Ellahi Shaikh          Mr. Haroon Shahzada Ellahi Shaikh          Mr. Syed Mohsin Gilani</p>	<p>Chairman          Member          Member          Secretary</p>
<b>HUMAN RESOURCE &amp; REMUNERATION (HR &amp; R) COMMITTEE</b>	<p>Mr. Hasan Ahmed          Mr. Haroon Shahzada Ellahi Shaikh          Mr. Tariq Zafar Bajwa          Mr. Muhammad Azam</p>	<p>Chairman          Member          Member          Secretary</p>
<b>EXECUTIVE COMMITTEE</b>	<p>Mr. Shaukat Ellahi Shaikh          Mr. Shahzada Ellahi Shaikh          Mr. Shafqat Ellahi Shaikh          Mr. Haroon Shahzada Ellahi Shaikh          Mr. Muhammad Azam</p>	<p>Chairman          Member          Member          Member          Secretary</p>
<b>CORPORATE SECRETARY</b>	Mr. Syed Mohsin Gilani	
<b>CHIEF FINANCIAL OFFICER (CFO)</b>	Mr. Muhammad Tariq Sheikh	
<b>HEAD OF INTERNAL AUDIT</b>	Mr. Kashif Saleem	
<b>AUDITORS</b>	Messrs Deloitte Yousuf Adil. Chartered Accountants	
<b>CORPORATE ADVISORS</b>	Bandial & Associates	
<b>LEAD BANKERS</b>	<p>Albaraka Bank (Pakistan) Ltd.          Allied Bank Ltd.          Askari Bank Ltd.          Bank Alfalah Ltd.          Faysal Bank Ltd.          Habib Bank Ltd.          Meezan Bank Ltd.          MCB Bank Ltd.          National Bank of Pakistan          Standard Chartered Bank (Pakistan) Ltd.          The Bank of Punjab          United Bank Ltd.</p>	
<b>REGISTERED OFFICE</b>	<p>Nagina House          91-B-1, M.M. Alam Road          Gulberg-III, Lahore-54660  <a href="http://www.nagina.com">www.nagina.com</a></p>	
<b>WEB REFERENCE</b>		
<b>SHARES REGISTRAR</b>	<p>M/s Hameed Majeed Associates (Pvt.) Ltd.          1<sup>st</sup> Floor, H.M. House          7-Bank Square, Lahore          Phone # 042-37235081-2          Fax # 042-37358817</p>	
<b>MILLS</b>	<p>13.5 K.M          Sheikhpura Sharaqpur Road          Sheikhpura</p>	

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 27<sup>th</sup> Annual General Meeting of members of PROSPERITY WEAVING MILLS LTD. will be held at the Registered Office of the Company, situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Friday, October 26, 2018 11:00 a.m. to transact the following business:-

- 1) To confirm minutes of the Annual General Meeting held on October 27, 2017.
- 2) To receive, consider and adopt Audited Accounts of the Company for the year ended June 30, 2018 together with the Directors' and Auditors' reports thereon.
- 3) To approve and declare final dividend as recommended by the Board of Directors.
- 4) To appoint Auditors for the year ending June 30, 2019 and fix their remuneration.
- 5) To transact any other ordinary business with the permission of the Chair.

A statement required under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 is annexed.

By Order of the Board



**Syed Mohsin Gilani**  
Corporate Secretary

Lahore: September 27, 2018

**NOTES:**

- 1) The share transfer books for ordinary shares of the Company will be closed from Saturday, October 20, 2018 to Friday, October 26, 2018 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore by the close of business on Friday, October 19, 2018 will be in time to be passed for payment of dividend to the transferee(s).
- 2) A member entitled to attend and vote at the General Meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty eight (48) hours before the time of meeting. Members through CDC appointing proxies must attach attested copy of their Computerised National Identity Card (CNIC) with the proxy form.
- 3) The shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their bankers, account number and participant I.D number for identification purpose.
- 4) In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

- 5) Members who have not submitted copy of valid CNIC are once again advised to submit the same without further delay to ensure compliance with the Securities and Exchange Commission of Pakistan (SECP) Notification S.R.O. 275(i)/2016 dated March 31, 2016 read with Notification S.R.O. 19(l)/2014 dated January 10, 2014 and Notification S.R.O. 831(l)/2012 dated July 5, 2012.

Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals) / NTN (corporate entities) by shareholders.

- 6) In accordance with Section 242 of the Companies Act, 2017 and the Companies (Distribution of Dividends) Regulation 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that given bank mandate for dividend payments is **MANDATORY** and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the particulars relating to name, folio number, bank account number, IBAN Number, title of account and complete mailing address of the bank directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS).

In case of non-receipt of above information, the dividend shall be withheld.

- 7) The financial statements for the year ended June 30, 2018 shall be uploaded on the Company's website [www.nagina.com](http://www.nagina.com) twenty one days prior to the date of holding of annual general meeting.
- 8) Pursuant to SECP Notification S.R.O. 787(l)/ 2014 dated September 8, 2014, members may inform the Company to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form available on Company's website.
- 9) Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.
- 10) If the Company receives consent from the members holding at least 10% shareholding residing in a city, to participate in the meeting through video-link at least 07 days prior to date of the meeting, the Company will arrange facility of video-link in that city subject to availability of such facility in that city.
- 11) Members are requested to promptly notify the Company of any change in their registered address.

## 12) IMPORTANT:

- a) Pursuant to the provisions of the Finance Act, 2018, effective July 1, 2018, the rates of deduction of income tax from dividend payments under the income Tax Ordinance have been revised as follows:
- i) Rate of tax deduction for filer of income tax return 15%
  - ii) Rate of tax deduction for non-filers of income tax return 20%

To enable the company to make tax deduction on the amount of cash dividend @15% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @20% instead of 15%.

Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on "Filer/ Non-Filer" status of principal shareholder as well as joint-holders (s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar, in writing, within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint-holder(s).

- b) Shareholders are again requested to provide copy of CNIC/NTN, e-Dividend information and change of address to (i) respective Central Depository System (CDS) Participant and (ii) in case of physical securities to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd., H.M. House, 7-Bank Square, Lahore.
- c) Shareholders are requested to contact the Registered Office of the Company or the Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7- Bank Square, Lahore for collection of their unclaimed shares / unpaid dividend which they have not received due to any reasons.

**STATEMENT AS REQUIRED UNDER THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017.**

Members had approved a special resolution u/s 208 of the repealed Companies Ordinance, 1984 (u/s 199 of the Companies Act, 2017) on October 28, 2015. The Company has not made any investment under the resolution. Following is the status:

a. Total investment approved.	Rs. 75,000,000/=(Rupees seven five million only) to each of the following associated company: i) Nagina Cotton Mills Ltd. (NCML) ii) Ellcot Spinning Mills Ltd. (ESML)																																		
b. Amount of investment made to date:	Nil																																		
c. Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; and	No deviation from approved timeline, due to better cash flows, the associated companies did not need funds envisaged u/s 199 of the Companies Act, 2017. Therefore, no investment transaction took place during the year 2017-18.																																		
d. Material change in Financial Statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Present Financial Position as on June 30, 2018</th> <th colspan="2">Financial Position at the time of approval as on June 30, 2015</th> </tr> <tr> <th>NCML</th> <th>ESML</th> <th>NCML</th> <th>ESML</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="4" style="text-align: center;">Rupees in Millions</td> </tr> <tr> <td>Net sales</td> <td>5,878.554</td> <td>5,563.119</td> <td>4,208.114</td> <td>4,588.788</td> </tr> <tr> <td>Gross Profit</td> <td>514.147</td> <td>406.645</td> <td>389.233</td> <td>291.992</td> </tr> <tr> <td>Profit / (Loss) before tax</td> <td>223.557</td> <td>132.008</td> <td>148.032</td> <td>90.206</td> </tr> <tr> <td>Profit / (Loss) after tax</td> <td>158.202</td> <td>130.515</td> <td>133.689</td> <td>54.299</td> </tr> </tbody> </table>		Present Financial Position as on June 30, 2018		Financial Position at the time of approval as on June 30, 2015		NCML	ESML	NCML	ESML		Rupees in Millions				Net sales	5,878.554	5,563.119	4,208.114	4,588.788	Gross Profit	514.147	406.645	389.233	291.992	Profit / (Loss) before tax	223.557	132.008	148.032	90.206	Profit / (Loss) after tax	158.202	130.515	133.689	54.299
	Present Financial Position as on June 30, 2018		Financial Position at the time of approval as on June 30, 2015																																
	NCML	ESML	NCML	ESML																															
	Rupees in Millions																																		
Net sales	5,878.554	5,563.119	4,208.114	4,588.788																															
Gross Profit	514.147	406.645	389.233	291.992																															
Profit / (Loss) before tax	223.557	132.008	148.032	90.206																															
Profit / (Loss) after tax	158.202	130.515	133.689	54.299																															

## **Vision:**

To be the market leader by being the best and providing the best.

## **Mission:**

Being one of the leading manufacturers of high quality greige fabric for apparel and home furnishing, we are committed to high quality product and customer satisfaction.

Our mission is to continually improve our products and services for our worldwide customers and to provide a better return to our shareholders.

We believe in keeping our production facilities equipped with the modern technologies by continuous upgrading to be competitive in the markets.

We strive towards building long-term and better relationship with our suppliers.

We care for our employees by providing them a healthy and safe working environment and opportunity for growth through learning and experience.

We do have a social responsibility towards our community in which we operate and we are committed to safety, health and environment in all our operations.





Control Union Certifications B.V.  
Meeuwelaan 4-6, 8011 BZ Zwolle, The Netherlands.  
Phone +31384260100  
Fax +31384237040  
email: certification@controlunion.com

## CERTIFICATE OF COMPLIANCE

(Scope Certificate)

**CERTIFICATE No: CU809299RCS-01.2018**  
**REGISTRATION No: CU 809299**

Control Union Certifications declares that

**Nagina Group**  
**91-B-1, M.M. Alam Road,**  
**Gulberg III,**  
**Lahore 54660**  
**PAKISTAN**

has been inspected and assessed according to the  
**Recycled Claim Standard (RCS-NL)**

**Version 2.0**  
**Recycled Claim Standard 100**  
**Recycled Claim Standard**

and that products of the categories as mentioned below (and further specified in the annex) comply with this standard:

**Fabrics, Yarns**

Processing steps / activities carried out under responsibility of the above mentioned company (by the operations as detailed in the annex) for certified products

**Exporting, Spinning, Weaving**

**This certificate is Valid until: 05 June 2019**

Place and date of issue:  
Colombo-07.06 June 2018

Stamp of the issuing body

Standard's Logo

Name of Authorised person

  
On behalf of the Managing Director,  
Miss H.M.U.K. Herath  
Certifier



This certificate cannot be used as a transaction certificate.

The issuing body can withdraw this certificate before it expires if the declared compliance is no longer guaranteed.



Control Union Certifications  
P.O. Box 161, 8000 AD Zwolle, The Netherlands  
<http://www.controlunion.com>  
tel.: +31(0)38-4260100

## CERTIFICATE OF COMPLIANCE

(Scope Certificate)

**CERTIFICATE No: CU809299GRS-01.2018**

**REGISTRATION No: CU 809299**

Control Union Certifications declares that

**Nagina Group**  
**91-B-1, M.M. Alam Road,**  
**Gulberg III,**  
**Lahore 54660**  
**PAKISTAN**

has been inspected and assessed according to the

**Global Recycled Standard (GRS)**

**Version 4.0**

and that products of the categories as mentioned below (and further specified in the annex) comply with this standard:

**Fabrics, Yarns**

Processing steps / activities carried out under responsibility of the above mentioned company (by the operations as detailed in the annex) for certified products

**Exporting, Spinning, Weaving**

**This certificate is Valid until: 05 June 2019**

Place and date of issue:  
Colombo-07, 06 June 2018

Stamp of the issuing body

Standard's Logo

Name of authorised person

  
On behalf of the Managing Director  
Miss H.M.U.K. Herath  
Certifier



This certificate cannot be used as a transaction certificate.

The issuing body can withdraw this certificate before it expires if the declared compliance is no longer guaranteed.

Control Union Certifications  
P.O. Box 161, 8000 AD Zwolle, The Netherlands  
<http://www.controlunion.com>  
tel.: +31(0)38-4260100

## CERTIFICATE OF COMPLIANCE

(Scope Certificate)

**CERTIFICATE No: CU809299OCS-02.2018**  
**REGISTRATION No: CU 809299**

Control Union Certifications declares that

**Nagina Group**  
**91-B-1, M.M. Alam Road,**  
**Gulberg III,**  
**Lahore 54660**  
**PAKISTAN**

has been inspected and assessed according to the

**Organic Content Standard (OCS)**

**Version 2.0**

**Organic Content Standard 100**  
**Organic Content Standard Blended**

and that products of the categories as mentioned below (and further specified in the annex) comply with this standard:

**Fabrics, Yarns**

Processing steps / activities carried out under responsibility of the above mentioned company (by the operations as detailed in the annex) for certified products

**Exporting, Spinning, Weaving**

**This certificate is Valid until: 23 January 2019**

Place and date of issue:  
Colombo-07, 30 March 2018

Stamp of the issuing body

Standard's Logo

Name of authorised person



On behalf of the Managing Director  
Miss H.M.U.K. Herath  
Certifier



This certificate cannot be used as a transaction certificate.

The issuing body can withdraw this certificate before it expires if the declared compliance is no longer guaranteed.





Control Union Certifications  
P.O. Box 161, 8000 AD Zwolle, The Netherlands  
<http://www.controlunion.com>  
tel.: +31(0)38-4260100

**CERTIFICATE OF COMPLIANCE**  
(Scope Certificate)

**CERTIFICATE No: CU809299GOTS-02.2018**  
**REGISTRATION No: CU 809299**

Control Union Certifications declares that

**Nagina Group**  
91-B-1, M.M. Alam Road,  
Gulberg III,  
Lahore 54660  
PAKISTAN

has been inspected and assessed according to the  
**Global Organic Textile Standard (GOTS)**  
version 5.0

and that products of the categories as mentioned below (and further specified in the annex) comply with  
this standard:

**Fabrics, Yarns**

Processing steps / activities carried out under responsibility of the above mentioned company (by the  
operations as detailed in the annex) for certified products  
**Exporting, Spinning, Weaving**

**This certificate is Valid until: 21 January 2019**

Place and date of issue:  
Colombo-07, 30 March 2018

Stamp of the issuing body

Standard's Logo

Name of authorised person

  
On behalf of the Managing Director  
Miss H.M.U.K. Herath  
Certifier



This Certificate of Compliance provides no proof that any goods delivered by its holder are GOTS certified. Proof of GOTS certification of goods delivered is provided by a valid Transaction Certificate (TC) covering them.

The issuing body can withdraw this certificate before it expires if the declared compliance is no longer guaranteed.

Accredited by: Dutch Accreditation Council (RVA), Accreditation No: C 412



# CERTIFICATE

**Management System as per  
EN ISO 9001 : 2015**

In accordance with TUV AUSTRIA procedures, it is hereby certified that

**PROSPERITY WEAVING MILLS LIMITED.**

**Head Office: 91 Nagina Haouse M.M Alam Road Gulberg-III,  
LAHORE, PAKISTAN.**


**MILLS. 13.5 KM, Sheikhpura Sharkpur Road Ellahipur Mousa Ghazi Androon,  
TEHSIL & DISTRICT SHEIKHUPURA, PAKISTAN.**

Applies a Quality Management System in line with the above Standard for the following Scope

**MANUFACTURING AND EXPORTING OF FABRIC.**

Certificate Registration No.: 01013758

Valid until: 2021-05-19  
Initial certification: 2012-11-15

  
Rashid Mehr  
CEO  
Certification Body  
at TUV AUSTRIA

Lahore, 2018-08-20

This certification was conducted in accordance with TUV AUSTRIA auditing and certification procedures and is subject to regular surveillance audits

TUV AUSTRIA HELLAS  
429, Mesogeion Ave.  
GR-153 43 Athens, Greece  
[www.tuvaustriahellas.gr](http://www.tuvaustriahellas.gr)



CERTIF, Ats

Headquarters in Athens bear the responsibility of the Certification decision



TUV AUSTRIA  
GROUP

**REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF BOARD AND EFFECTIVENESS OF THE ROLE PLAYED BY THE BOARD IN ACHIEVING THE COMPANY'S OBJECTIVES**

The Board of Directors (the Board) of Prosperity Weaving Mills Limited (PWML) has performed their duties diligently in upholding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner. The Board has exercised its powers and has performed its duties as stated in the Companies Act 2017 (previously Companies Ordinance 1984) and the Listed Companies (Code of Corporate Governance) Regulations, 2017.

- The Board has actively participated in strategic planning process, enterprise risk management system, policy development and financial structure, monitoring and approval;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;
- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and /or internal audit activities;
- The Board has prepared and approved the director's report and has ensured that the directors' report is published with the quarterly and annual financial statement of the Company and the content of the directors' report are in accordance with the requirement of applicable laws and regulations;
- The Board has ensured the hiring, evaluation and compensation of the Chief Executive and other key executives including Chief Financial Officer, Company Secretary and Head of Internal Audit;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings; and
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making.

The annual evaluation of the Board's performance is assessed based on the key areas where the Board requires clarity in order to provide high level oversight, including the strategic process; key business drivers and performing milestones, the global economic environment and competitive context in which the Company operates; the risks faced by the Company's business; Board dynamics; capability and information flows. Based on the aforementioned, it can reasonably be stated that the Board of PWML has played a key role in ensuring that the Company objectives are not only achieved, but also exceeded expectations through a joint effort with the management team and guidance and oversight by the Board and its members.



**Shahzada Ellahi Shaikh**  
Chairman

September 27, 2018

## بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ کے مؤثر کردار پر چیئرمین کی جائزہ رپورٹ

پراسیس ریٹی دیونگ ملز لمیٹڈ (PWML) کے بورڈ آف ڈائریکٹرز (بورڈ) نے کمپنی کے حصہ داروں کے بہترین مفاد کو برقرار رکھنے میں اپنی ذمہ داریاں تندرہ سے انجام دی ہیں اور کمپنی کے امور کو مؤثر اور بروقت انداز سے منظم کیا ہے۔ بورڈ نے گزشتہ ایکٹ 2017 (سابقہ کمپنیز آرڈیننس 1984) اور سڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 میں دیئے گئے اپنے اختیارات اور ذمہ داریوں کو بخوبی سرانجام دیا ہے۔

• بورڈ نے اسٹریٹیجک منصوبہ بندی کے عمل، ادارے کو لاحق خطرات کا انتظامی نظام، پالیسی ڈویلپمنٹ، اور مالیاتی ساخت کی نگرانی اور منظوری میں فعال طور پر حصہ لیا ہے۔

• سائن بھر میں تمام اہم مسائل بورڈ یا اس کی کمیٹیوں کے روبرو کاروباری فیصلہ سازی کے عمل کو مضبوط بنانے کے لئے پیش کئے گئے اور خاص طور پر کمپنی کی طرف سے کئے گئے تمام متعلقہ پارٹی کے ساتھ لین دین کو آڈٹ کمیٹی کی سفارشات پر بورڈ نے منظوری دی۔

• بورڈ نے اس بات کو یقینی بنایا ہے کہ اندرونی کنٹرول کا مناسب نظام موجود ہے اور خود تیشیسی طریقہ کار اور/یا انٹرنل آڈٹ سرگرمیوں کے ذریعے اس کی باقاعدگی سے جانچ پڑتال کی جاتی ہے۔

• بورڈ نے مجلس نظام کی رپورٹ کی تیاری اور منظوری دی ہے اور اس بات کو یقینی بنایا ہے کہ مجلس نظام کی رپورٹ کمپنی کی سہ ماہی اور سالانہ مالیاتی حسابات کے ساتھ شائع ہوتی اور مجلس نظام کی رپورٹ کا مواد قابل اطلاق قوانین اور قواعد و ضوابط کے مطابق ہے۔

• بورڈ نے چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، کمپنی سیکرٹری، اور انٹرنل آڈٹ کے سربراہ کی ملازمت، کارکردگی اور معاوضہ سازی کو یقینی بنایا ہے۔

• بورڈ نے اس کے اراکین کے درمیان بروقت طریقے سے تسلی بخش معلومات کے تبادلے کو یقینی بنایا ہے اور بورڈ کے ممبران کو اجلاس کے درمیان ڈویلپمنٹ کے بارے میں لمحہ بہ لمحہ باخبر رکھا گیا ہے۔

• بورڈ نے کمپنی پر قابل اطلاق متعلقہ قوانین اور قواعد و ضوابط کی روشنی میں دیئے گئے اختیارات کے مطابق اپنے اختیارات کا استعمال کیا ہے اور بورڈ نے ہمیشہ بحیثیت ڈائریکٹرز اپنے اختیارات کے استعمال اور فیصلہ سازی کرنے کے برتے میں تمام قابل اطلاق قوانین اور قواعد و ضوابط کی تعمیل کو ترجیح دی ہے۔

• بورڈ کی سالانہ کارکردگی اہم شعبوں پر مبنی ہے جہاں بورڈ کو اعلیٰ درجے کی نگرانی مہیا کرنے بشمول اسٹریٹیجک عمل، کلیدی کاروباری امور، گمٹ میل کی تکمیل، عالمی معاشی ماحول اور مستقبلاتی سیاق و سباق میں کمپنی کام کرتی ہے، کمپنی کے کاروبار کو درپیش خطرات، بورڈ کے محرکات، صلاحیت اور معلومات مہیا کرنے کے لئے وضاحت دینے کی ضرورت ہوتی ہے۔ مذکورہ بالا کی بنیاد پر، یہ مناسب طور پر کہا جاسکتا ہے کہ PWML کے بورڈ نے اس بات کو یقینی بنانے میں اہم کردار ادا کیا ہے کہ کمپنی کے مقاصد کو نہ صرف حاصل کیا جاسکتا ہے، بلکہ بورڈ اور اس کے اراکان کی رہنمائی اور نگرانی کے ذریعہ انتظامیہ کی مشق کو ششوں کے ساتھ توقعات سے بھی آگے بڑھا سکتا ہے۔



شہزاد علی شیخ

چیئرمین

27 جنوری 2018

## DIRECTORS' REPORT TO THE MEMBERS

The Directors have the honour to present 27<sup>th</sup> Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2018. Figures for the previous year ended June 30, 2017 are included for comparison.

### Financial Results

This has been a challenging year where fabric market remained volatile. However, adjustment in PKR exchange rate vs USD and reinstatement of export rebate scheme helped the company to better compete in the fabric market and remain in profit. After tax profit stood at Rs. 54,696,637 compared to Rs. 56,197,546 during the last year showing slight reduction of 2.67%. Earning per share (EPS) for the year is Rs.2.96 compared to Rs. 3.04 for the last year. Operating profit for the year under review was higher than the last year. However, after tax profit was lower than last year due to recognition of impairment loss amounting to Rs. 23,753,981/= in the value of short term investment. In previous year there was no impairment loss. We hope that with improvement in stock market the recognized impairment losses will be reversed in the future.

Sales revenue for the year increased by 6.74% over last year and stood at Rs. 6,212,431,041 compared to Rs. 5,820,163,201. Contributing factors for rise in sales value were volume Increase, better exchange rate and benefits of the export rebate scheme. Cost of sales slightly decreased from 94.79% of sales in last year to 94.28% of sales during current year and resulted in increase in gross profit from 5.21% of sales to 5.72% of sales.

Due to higher sales in local market, distribution cost for the year decreased from 1.59% of sales during last year to 1.27% of sales during current year. Inflationary impact resulted in higher administrative expenses by 12.62% over the last year. Other operating expenses increased by 213.61 % over the previous year. The reason for this substantial increase is due to impairment loss on investments. Other income increased by 24.63% compared to last year. The higher other income is mainly due to dividend earnings through investment portfolio in listed equity securities.

Increase in discount rates and company resorting to rupee financing instead of dollar financing resulted in increase in finance cost from 1.75% of sales during last year to 2.33% of sales during the year under review.

### Capital Assets Investment

During the year under review, in line with strategic plans for achieving energy efficiency in power generation and enhancing weaving quality and efficiency, your Company has invested Rs. 210,716,653 in the Expansion, Balancing, Modernization, Replacement (BMR) of building, plant and machinery and related assets.

### Future Prospects and Outlook

The year under review was a modestly profitable year. Rupee devalued approximately 18% against the USD which helped to improve profitability. However, currencies of regional countries have also devalued substantially and this may dilute our competitive advantage. Trade tensions between USA and China is affecting textile business with china. Customers are adopting cautious positions in their buying pattern and yarn and fabric prices are falling.



Global demand for fabric is not very encouraging. Export sales have become even more difficult with the removal of export package for greige fabric. Margins in fabric manufacturing have reduced substantially. Because of this situation. We see financial year 2018-19 to be another testing year for the weaving sector. It is hoped that the Government would bring in business friendly policies such as uninterrupted energy supplies in cost effective manner, refund of outstanding sales tax, income tax and DTL so that stretched corporate cash flows can be eased out. Government policies should encourage the completion of the value chain in the textile sector so that the country can export finished products.

### **Dividend**

The Board of Directors have recommended cash dividend @20% i.e. Rs.2/= per ordinary share for the year ended June 30, 2018. The dividend will amount to Rs.36,960,000.

### **Principal Activity**

The principal activity of the Company is manufacturing and sale of woven cloth.

### **Principal Risks and Uncertainties**

The Board of Directors are responsible to oversee the Company's operations and to devise an effective strategy to mitigate any potential adverse impact of risks.

The Company's principal financial liabilities, comprise long term finances, trade and other payables and short term borrowings. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's principal financial assets comprise of trade debts, advances, short-term deposits, other receivables and cash and bank balances that arise directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

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

### **Material Changes and Commitments**

No adverse material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.

### **ISO 9001: 2015 Certification**

The Company continues to operate at high standards of quality and had obtained latest version of certification valid until May 19, 2021. The quality control certification helps to build up trust of new and old customers.

## **Corporate Social Responsibility**

The Company strongly believes in the integration of Corporate Social Responsibility into its business, and consistently endeavors to uplift communities that are influenced directly or indirectly by our business.

## **Environment, Health and Safety**

The Company maintains safe working conditions avoiding the risk to the health of employees and public at large. The management has maintained safe environment in all its operations throughout the year and is constantly upgrading their safety and living facilities.

Safety is a matter of concern for machinery as well as the employees working at plant. Fire extinguishers and other fire safety equipments have been placed at sites as well as registered and head office of the Company. Regular drills are performed to ensure efficiency of fire safety equipments.

## **Internal Financial Controls**

A system of sound internal control is established and implemented at all levels of the Company by the Board of Directors. The system of internal control is sound in design for ensuring achievement of Company's objectives and operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

## **Related Parties**

All related party transactions during the financial year ended June 30, 2018 were reviewed by the Audit Committee and approved by the Board of Directors. All the related parties' transactions were in line with the transfer pricing methods approved the Board of Directors.

## **Shareholding Pattern**

The shareholding pattern as at June 30, 2018 for ordinary shares is annexed.

## **Appointment of Auditors**

Messrs Deloitte Yousuf Adil, Chartered Accountants, Lahore are due to retire and being eligible, offer themselves for re-appointment as Auditors for the financial year 2018-19. The Audit Committee has recommended for re-appointment of present Auditors.

## **Financial Statements Audit**

Financial statements of the Company have been audited without any qualification by Messrs Deloitte Yousuf Adil, Chartered Accountants, the statutory external auditors of the Company.

## Corporate Governance & Financial Reporting Framework

Further, Directors are pleased to report that:

- a) The financial statements prepared by the management of the Company present fair state of Company's operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based upon reasonable and prudent judgment.
- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements any departures therefrom has been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no doubts upon the Company's ability to continue as a going concern.
- g) Key operating and financial data for the last six years is annexed.
- h) There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2018 except for those disclosed in the financial statements.

## Composition of Board

### Total number of Directors:

- |            |                           |
|------------|---------------------------|
| a) Male:   | 9 (Nine)                  |
| b) Female: | Exempted for current term |

### Composition:

- |                                    |         |
|------------------------------------|---------|
| (i) Independent Directors:         | 1 (One) |
| (ii) Other Non-executive Directors | 6 (Six) |
| (iii) Executive Director           | 2 (Two) |

### Name of Directors

Mr. Shahzada Ellahi Shaikh, Chairman  
 Mr. Hasan Ahmed  
 Mr. Javaid Bashir Sheikh  
 Mr. Shafqat Ellahi Shaikh  
 Mr. Amin Ellahi Shaikh  
 Mr. Haroon Shahzada Ellahi Shaikh  
 Mr. Shaukat Ellahi Shaikh  
 Mr. Tariq Zafar Bajwa  
 Mr. Raza Ellahi Shaikh, CEO

### Committees of the Board:

The Board has made following sub-committees:

#### Audit Committee Meetings

Mr. Hasan Ahmed	Chairman
Mr. Amin Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member

#### Human Resource and Remuneration (HR&R) Committee Meetings

Mr. Hasan Ahmed	Chairman
Mr. Haroon Shahzada Ellahi Shaikh	Member
Mr. Tariq Zafar Bajwa	Member

#### Executive Committee

Mr. Shaukat Ellahi Shaikh	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shafqat Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member

### Significant Features of Directors' Remuneration

The Board of Directors has approved a formal policy for remuneration of executive and non-executive directors depending upon their responsibility in affairs of the Company. The remuneration is commensurate with their level of responsibility and expertise needed to govern the Company successfully and to encourage value addition from them.

The Chairman of the Board is paid remuneration as approved by the Board. Non-executive directors including the independent director are entitled only for fee for attending the Board and its committees' meetings. Remuneration of executive and non-executive directors shall be approved by the Board, as recommended by the Human Resource and Remuneration Committee.

### Acknowledgment

Continued diligence and devotion of the staff and workers of the Company and good human relations at all levels deserve acknowledgment. The Directors also wish to place on record their thanks to the bankers and other stakeholders for their continued support to the Company.

On behalf of the Board



**Raza Ellahi Shaikh**  
Mg. Director (Chief Executive)



**Shahzada Ellahi Shaikh**  
Chairman

Lahore: September 27, 2018

## ممبران کے لئے مجلس نظاماء کی رپورٹ

مجلس نظاماء 30 جون 2018 کو پچھتہ سال کے لئے کمپنی کی 27 ویں سالانہ رپورٹ مع نظر ثانی شدہ مالیاتی حسابات اور اس پر حساب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہی ہے۔ 30 جون 2017 کو ختم ہونے والے گزشتہ سال کے اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔

### مالیاتی نتائج

یہ مشکل سال رہا ہے جس میں کپڑے کی مارکیٹ غیر مستحکم رہی۔ تاہم، امریکی ڈالر کے برعکس پاکستانی روپیہ کی شرح تبادلہ میں ایڈجسٹمنٹ اور برآمد چھوٹ اسکیم کی دوبارہ بحالی نے کپڑے کی مارکیٹ میں بہتر مقابلہ کرنے اور منافع بخش رہنے کے لئے کمپنی کی مدد کی ہے۔ پچھلے سال کے دوران 56,197,546 روپے کے مقابلے میں اس سال 54,696,637 روپے بعد از ٹیکس منافع کمایا ہے جو 2.67 فیصد کی معمولی کمی ظاہر کر رہا ہے۔ زیر جائزہ سال کی فی شیئر آمدنی (EPS) گزشتہ سال کے دوران 3.04 روپے کے مقابلے میں 2.96 روپے ہے۔ زیر جائزہ سال کے دوران کاروباری منافع گزشتہ سال سے زیادہ تھا۔ تاہم بعد از ٹیکس منافع مختصر مدتی سرمایہ کاری کی تدریس میں 23,753,981 روپے کی کمی (ایک پیپر منٹ) کے نقصان کو درج کرنے کے باعث گزشتہ سال سے کم ہے۔ ہمیں امید ہے کہ اسٹاک مارکیٹ میں بہتری آنے کے ساتھ درج شدہ کمی (ایک پیپر منٹ) کے نقصانات مستقبل میں واپس آجائیں گے۔

اس سال کے لئے فروخت کی آمدن گزشتہ سال 5,820,163,201 روپے کے مقابلے میں 6,212,431,041 روپے رہی جو گزشتہ سال سے 6.74 فیصد بڑھ گئی۔ فروخت کی قدر میں اضافہ کے اثراتی عناصر حجم میں اضافہ، بہتر شرح تبادلہ اور برآمد چھوٹ اسکیم کے فوائد ہیں۔ فروخت کی لاگت گزشتہ سال میں فروخت کی 94.79 فیصد سے معمولی کم ہو کر اس سال فروخت کی 94.28 فیصد ہوئی جس کے نتیجے میں مجموعی منافع فروخت کا 21.21 فیصد سے بڑھ کر فروخت کا 5.72 فیصد ہو گیا ہے۔

مقامی مارکیٹ میں اعلیٰ فروخت کے باعث تقسیم کے اخراجات گزشتہ سال میں فروخت کے 1.59 فیصد کے مقابلے میں موجودہ سال کے دوران فروخت کے 1.27 فیصد تک کم ہوئے ہیں۔ اخراجات کے اثرات کی وجہ سے اقسامی اخراجات گزشتہ سال سے 12.62 فیصد تک زیادہ ہو گئے۔ دیگر کاروباری اخراجات گزشتہ سال سے 213.61 فیصد تک بڑھ گئے۔ یہ بھاری اضافہ سرمایہ کاری کی قدر میں کمی (ایک پیپر منٹ) کے نقصان کے باعث ہے۔ دیگر آمدنی گزشتہ سال کے مقابلے میں 24.63 فیصد زیادہ ہوئی۔ دیگر آمدنی میں اضافہ بنیادی طور پر لٹھڑا کی کوئی بیکور شیئرز میں سرمایہ کاری پورٹ فولیو کے ذریعے منافع منقسم آمدن کی وجہ سے ہوا۔

ڈیٹا کنٹ شرح میں اضافہ اور کمپنی کے ڈالر ریٹنگ کی بجائے روپیہ ریٹنگ کو اپنانے کے نتیجے میں مالی لاگت گزشتہ سال کے دوران فروخت کی 1.75 فیصد سے بڑھ کر زیر جائزہ سال کے دوران فروخت کی 2.33 فیصد ہو گئی۔

### موبیل مدتی اثاثوں کی سرمایہ کاری

زیر جائزہ سال کے دوران آپ کی کمپنی نے پہلی پیدا کرنے میں توانائی کے حصول اور یونٹ کی کوائن اور صلاحیت کو بہتر بنانے کے لئے سٹرٹیجک منصوبوں کے مطابق عمارت، پلانٹ مشینری اور متعلقہ دیگر اثاثوں کی توسیع، جو ازن، جدت، تہذیبی (BMR) کے لئے 210,716,653 روپے کی سرمایہ کاری کی ہے۔

### مستقبل کے امکانات اور نقطہ نظر

زیر جائزہ سال معمولی طور پر منافع بخش سال تھا۔ امریکی ڈالر کے برعکس روپیہ کی قدر میں تقریباً 18% کمی ہوئی جس نے منافع کو بہتر بنانے میں مدد کی۔ تاہم، علاقائی ممالک کی ریشیوں کی قدر میں بھی کافی کمی ہوئی اور ہمارے مسابقتی فائدہ کو کم کر رکھتی ہے۔ امریکہ اور چین کے درمیان تجارتی تناؤ چین کے ساتھ ٹیکسٹائل کاروبار کو متاثر کر رہا ہے۔ گلوبل اپنے خریداری کے رجحان میں تناؤ پوزیشن اختیار کر رہے ہیں اور سوت اور کپڑے کی قیمتیں گر رہی ہیں۔

کپڑے کی عالمی طلب بہت زیادہ حوصلہ افزا نہیں ہے۔ برآمدی فروخت کو روکے کپڑے کے لئے برآمدی بیکنج کے ختم ہونے کے ساتھ پہلے سے زیادہ مشکل ہو گئی ہے۔ کپڑا بنانے میں منافع جات کافی کم ہو گئے ہیں۔ اس صورت حال کی وجہ سے ہم مالی سال 2018-19 کو ڈیولپمنٹ کے لئے ایک اور آزمائشی سال دیکھتے ہیں۔ یہ امید کی جارہی ہے کہ حکومت کاروبار میں دوستانہ پالیسیاں لائے گی جسے کم نوٹ لاگت میں بلا تعلق توانائی کی فراہمی، جاپا سٹریٹجی کی رہنمائی، ایکٹو ٹیکس اور DLT تاکہ کاروبار کے تازہ کو کم کیا جاسکے۔ حکومتی پالیسیاں ٹیکسٹائل سیکٹر میں ویلیو چین کی مکمل حوصلہ افزا رہوئی چاہئیں تاکہ ملک تیار مصنوعات برآمد کر سکے۔

### منافع مقسمہ

بورڈ آف ڈائریکٹرز نے 30 جون 2018 مختتمہ سال کے لئے نقد منافع مقسمہ بشرح %20 یعنی 2 روپے فی عام شیئر کی سفارش کی ہے۔ منافع مقسمہ کی رقم 36,960,000 روپے ہوگی۔

### نمایاں سرگرمی

کمپنی کی نمایاں سرگرمی بنے ہوئے کپڑے کی تیاری اور فروخت کرنا ہے۔

### نمایاں خطرات اور غیر یقینی حالات

بورڈ آف ڈائریکٹرز کمپنی کے آپریشنز کی گمرانی اور خطرات کے کسی ممکنہ منفی اثر کا سدباب کے لئے مؤثر حکمت عملی وضع کرنے کے ذمہ دار ہیں۔ کمپنی کی اصل مالی ادائیگیوں میں طویل مدتی قرضے، تجارتی اور دیگر ادائیگیاں اور مختصر مدتی قرضے شامل ہیں۔ ان مالی ادائیگیوں کا اہم مقصد کمپنی کے آپریشنز کے لئے فنڈس کا بندوبست کرنا ہے۔ کمپنی کے اصل مالیاتی اثاثوں میں تجارتی وصولیاں، پیٹنٹ ادائیگیاں، مختصر مدتی ڈیپازٹس، دیگر وصولیاں اور نقدی اور بینک بیلنسز شامل ہیں جو اس کے آپریشنز سے براہ راست حاصل ہوتے ہیں۔ کمپنی کی سرگرمیوں کو کئی قسم کے مالیاتی خطرات کا سامنا ہے۔ جس میں مارکیٹ خطرہ (بشمول کرنسی خطرہ، شرح سود کا خطرہ اور قیمت کا خطرہ)، ادھار کا خطرہ اور نقدی بہاؤ کا خطرہ شامل ہے۔ کمپنی کا مجموعی رسک مینجمنٹ پروگرام مالیاتی ماریٹوں کی غیر متواتر حالت پر توجہ مرکوز اور مالی کارکردگی پر ممکنہ منفی اثرات کو کم کرنے کی کوشش کرتا ہے۔

### اہم تہدیلیاں اور سہادات

اس بیلنس شیٹ سے متعلقہ مالی سال کے اختتام اور ڈائریکٹرز رپورٹ کی تاریخ کے درمیان، کمپنی کی مالی حیثیت پر اثر انداز ہونے والی کوئی اہم منفی تبدیلیاں اور معاہدات رونما نہیں ہوئے۔

### 2015: ISO 900 سرٹیفیکیشن

کمپنی کو ایٹمی کے اعلیٰ معیارات پر کام سرانجام دیتی ہے اور کمپنی نے 19 مئی 2021 تک کارآمد سرٹیفیکیشن کے حالیہ ورژن حاصل کر رکھے ہیں۔ کو ایٹمی کنٹرول سرٹیفیکیشن نئے اور پرانے کسٹمرز کے اعتماد کو فروغ دینے میں مدد کرتی ہے۔

### کاروباری سماجی ذمہ داری

کمپنی اپنے کاروبار میں کاروباری سماجی ذمہ داری کے انضمام پر پختہ یقین رکھتی ہے، اور وہ کیونٹیز جو ہمارے کاروبار سے براہ راست یا بالواسطہ طور پر متاثر ہو رہی ہیں ان کی ترقی کے لئے مسلسل کوشاں ہیں۔ ہماری سی ایس ایس آر پالیسی کے مطابق، انتظامیہ نے فیکٹری، آرکز، اور نزدیکی کیونٹیز کے بچے کی ابتدائی سطح کی تعلیم کے لئے فیکٹری سائٹ میں سکول کو ترقی دینے میں مدد کی ہے۔

### ماحول، صحت اور تحفظ

کمپنی اپنے ملازمین اور عوام کی صحت کو درپیش خطرات سے بچانے کے لئے محفوظ کام کے حالات کو برقرار رکھتی ہے۔ انتظامیہ نے سال بھر اپنے تمام انتظامات میں محفوظ ماحول کو برقرار رکھا ہے اور مسلسل ان کی حفاظت اور زندگی کی سہولیات کو بہتر بنا رہی ہے۔

مشینری اور ساتھ میں پائپٹ پر کام کرنے والے ملازمین کا تحفظ ایک تشویش کی بات ہے۔ آگ بجھانے والے آلات اور آگ سے بچاؤ کے دیگر آلات کمپنی کی سائٹس کے ساتھ ساتھ اس کے رجسٹرز اور مرکزی دفتر میں نصب کئے گئے ہیں۔ آگ سے بچاؤ کے آلات کی کارکردگی کو یقینی بنانے کے لئے باقاعدہ مشینیں کی جاتی ہیں۔

### اندرونی مالیاتی کنٹرول

بورڈ آف ڈائریکٹرز کی طرف سے کمپنی کے تمام سطحوں پر مضبوط اندرونی کنٹرول کا ایک نظام قائم و نافذ کیا گیا ہے۔ اندرونی کنٹرول کا نظام کمپنی کے مقاصد اور آپریشنل سوشل اور کارکردگی کے حصول، قابل اعتماد مالیاتی رپورٹنگ اور قوانین قواعد و ضوابط اور پالیسیوں کی تعمیل کو یقینی بنانے کے لئے ڈیزائن میں مستحکم ہے۔

### متعلقہ پارٹیاں

30 جون 2018 کو ختم ہونے والے مالی سال کے دوران تمام متعلقہ پارٹی کے ساتھ لین دین کا آڈٹ کمپنی نے جائزہ لیا اور بورڈ آف ڈائریکٹرز کی طرف سے منظوری دی گئی ہے۔ تمام متعلقہ پارٹیوں کے ساتھ لین دین بورڈ آف ڈائریکٹرز سے منظور شدہ منطقی قیمتوں کے مطابق تھے۔

### عمومہ حصص داری

30 جون 2018 کے مطابق عام شیئرز کے لئے عمومہ حصص داری منسلک کیا گیا ہے۔

### آڈیٹرز کی تقرری

ریٹائر ہونے والے میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس، کراچی نے اہل ہونے کی بناء پر مالی سال 2018-19 کے لئے بحیثیت آڈیٹرز دوبارہ تقرری کے لئے اپنے آپ کو پیش کیا ہے۔ آڈٹ کمپنی نے موجودہ آڈیٹرز کی دوبارہ تقرری کی منظوری دے دی ہے۔

### مالیاتی سہايات کا آڈٹ

کمپنی کے مالی حسابات، کمپنی کے قانونی ایکسٹرنل ڈیپارٹمنٹ، چارٹرڈ اکاؤنٹنٹس کی طرف سے کسی کوالیفیکیشن کے بغیر نظر ثانی شدہ ہیں۔

### کاروباری نظام اور مالیاتی رپورٹنگ کا طریقہ کار

مزید ڈائریکٹرز بخوشی بیان کرتے ہیں کہ:

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات میں کمپنی کے امور، نقدی بہاؤ اور سرمائے میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔
- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور انتہائی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے دواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- گزشتہ چھ سال کا عہدہ آئی آر بی ٹیگ اور مالیاتی ڈیٹا منسلک ہے۔
- ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی قانونی اور ایگلی واجب الادا نہیں ہے جو 30 جون 2018 کو بتایا ہوں، سوائے ان کے جو مالی حسابات میں ظاہر کر دیے گئے ہیں۔

### بورڈ کی ترتیب

ڈائریکٹرز کی کل تعداد:

(a) مرد 9 (نو)

(b) خاتون موجودہ مدت میں مستثنیٰ

### ترتیب

- آزاد ڈائریکٹرز (ایک) 1
- دیگر نان ایگزیکٹو ڈائریکٹرز (چھ) 6
- ایگزیکٹو ڈائریکٹرز (ایک) 1

ڈائریکٹرز کے نام  
 جناب شہزادہ الہی شیخ  
 جناب حسن احمد  
 جناب جاوید بشیر شیخ  
 جناب شفقت الہی شیخ  
 جناب امین الہی شیخ  
 جناب ہارون شہزادہ الہی شیخ  
 جناب شرکت الہی شیخ  
 جناب طارق ظفر یا جوہ  
 رضا الہی شیخ  
 بورڈ کی کمیٹیاں  
 بورڈ آف ڈائریکٹرز نے مندرجہ ذیل کمیٹیاں تشکیل دی ہیں:

• آؤٹ کمیٹی

جناب حسن احمد  
 چیئرمین  
 جناب امین الہی شیخ  
 رکن  
 جناب ہارون شہزادہ الہی شیخ  
 رکن

• ہیومن ریسورس اینڈ ریٹرنیشن (HR&R) کمیٹی

جناب حسن احمد  
 چیئرمین  
 جناب ہارون شہزادہ الہی شیخ  
 رکن  
 جناب طارق ظفر یا جوہ  
 رکن

• ایگزیکٹو کمیٹی

جناب شرکت الہی شیخ  
 چیئرمین  
 جناب شہزادہ الہی شیخ  
 رکن  
 جناب شفقت الہی شیخ  
 رکن  
 جناب ہارون شہزادہ الہی شیخ  
 رکن



### ڈائریکٹرز کے معاوضہ کی نمایاں خصوصیات

بورڈ آف ڈائریکٹرز نے کمپنی کے امور میں ان کی ذمہ داری پر منحصر ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کے معاوضے کے لئے رقم پالیسی کی منظوری دی ہے۔ معاوضہ کامیابی سے کمپنی کو منظم طریقہ سے چلانے کے لئے ان کی ذمہ داری اور ضروری مہارت اور ان سے ویلو ایڈیشن حوصلہ افزائی کی سطح کے مطابق ہے۔

بورڈ کے چیئرمین کو بورڈ سے تصدیق شدہ معاوضہ ادا کیا جاتا ہے۔ آزاد ڈائریکٹر سمیت نان ایگزیکٹو ڈائریکٹرز فقط بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کی فیس کے اہل ہیں۔ ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کا معاوضہ ہیومن ریسورس اینڈ ریجنل کمپنی کی - غارشات پر، بورڈ کی طرف سے منظور کیا گیا ہے۔

اظہار تشکر

کمپنی کے عملے اور کارکنوں کی مسلسل محنت اور جذبہ اور تمام سطحوں پر اچھے تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز کمپنی کی مسلسل حمایت پر ڈینگرز اور دیگر حصہ داروں کو بھی شکریہ ادا کرتے ہیں۔

### منجانب بورڈ



شہزادہ الہی شیخ

چیئرمین



رنا الہی شیخ

منجنگ ڈائریکٹر (چیف ایگزیکٹو)

لاہور، 27 ستمبر 2018

**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES  
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017  
FOR THE YEAR ENDED JUNE 30, 2018**

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 in the following manner:

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

- a) Male:                 Nine  
b) Female:                Nil (Exempted for current term)

2. The composition of the Board of Directors is as follows:

Category	Names
a) Independent Director	Mr. Hasan Ahmed
b) Other Non-Executive Directors	Mr. Shaukat Ellahi Shaikh Mr. Javaid Bashir Sheikh Mr. Shahzada Ellahi Shaikh Mr. Shafqat Ellahi Shaikh Mr. Amin Ellahi Shaikh Mr. Haroon Shahzada Ellahi Shaikh
c) Executive Directors	Mr. Tariq Zafar Bajwa Mr. Raza Ellahi Shaikh, CEO

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 the Board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2017.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the 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. The Board remained fully compliant with the provision with regard to their directors' training program. Out of total of nine directors, eight directors have obtained certification under Directors' Training Program (DTP).
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer (CFO) and Chief Executive Officer (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  
  
Mr. Hasan Ahmed, Chairman  
Mr. Amin Ellahi Shaikh, Member  
Mr. Haroon Shahzada Ellahi Shaikh, Member
  - b. Human Resource and Remuneration (HR & R) Committee  
  
Mr. Hasan Ahmed, Chairman  
Mr. Haroon Shahzada Ellahi Shaikh, Member  
Mr. Tariq Zafar Bajwa, 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 aforesaid committees were as per following:
  - a) Audit Committee: Four quarterly meetings during the financial year ended June 30, 2018.
  - b) HR and Remuneration Committee: One meeting 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 Institute of Chartered Accountants of Pakistan (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, the 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.

on behalf of the Board



**Raza Ellahi Shaikh**  
Mg. Director (Chief Executive)



**Shahzada Ellahi Shaikh**  
Chairman

Lahore: September 27, 2018

## SHAREHOLDERS' INFORMATION

### Annual General Meeting

The 27<sup>th</sup> Annual General Meeting of PROSPERITY WEAVING MILLS LTD. will be held at the Registered Office of the Company, Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Friday, October 26, 2018 at 11:00 a.m.

Eligible shareholders are encouraged to participate and vote.

### Ownership

On June 30, 2018, the Company has 558 Shareholders.

### Web Reference

The Company maintains a functional website. Annual, half-yearly and quarterly reports are regularly posted at the Company's website: [www.nagina.com](http://www.nagina.com)

### Dividend

The Board of Directors have recommended in their meeting held on September 27, 2018, payment of final cash dividend at the rate of Rs.2/= per share i.e. 20% for the year ended June 30, 2018.

### Book Closure

The register of the members and shares transfer books of the Company will remain closed from October 20, 2018 to October 26, 2018 (both days inclusive).

### MANDATORY PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

In accordance with Section 242 of the Companies Act, 2017 and the Companies (Distribution of Dividends) Regulation 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that given bank mandate for dividend payments is **MANDATORY** and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following particulars directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS):

<b>Detail of Bank Mandate</b>	
Name of Shareholder	
Folio No. / CDC Account No.	
Cell Number of Shareholder	
Landline Number of Shareholder	
E-mail address	
Title of Bank Account of shareholder	
International Bank Account Number (IBAN) " <b>Mandatory</b> "	PK _____ ( 24 digits) (kindly provide your accurate IBAN after consulting with your respective bank branch, in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's Name	
Branch Name and Address	
Branch Code	
CNIC No. (copy attached)	
NTN (in case of Corporate Entity)	

It is stated that the above-mentioned information is correct, that I will intimate the changes in the above-mentioned information to the Company and the concerned Share Registrar as soon as these occur.

\_\_\_\_\_  
Signature of the Shareholder

In case of non-receipt of above information, the dividend shall be withheld.

**Requirement of CNIC Number / National Tax Number (NTN) Certificate.**

As has already notified from time to time, the Securities and Exchange Commission of Pakistan (SECP), vide Notification SRO 275(I)/2016 dated March 31, 2016 read with Notification SRO 19(I)/2014 dated January 10, 2014 and Notification SRO 831(I)/2012 dated July 5, 2012 required that dividend warrants should bear Computerized National Identity Card (CNIC) number of the registered member.

Members who have not yet submitted copy of their valid Computerized National Identity Card (CNIC) / National Tax Number (NTN) Certificate (in case of Corporate Entity) are requested to submit the same at the earliest.

Copy of CNIC/NTN may be sent directly to the Share Registrar:

M/s Hameed Majeed Associates (Pvt.) Limited,  
1st Floor, H.M. House,  
7-Bank Square,  
Lahore  
Ph # (+92-42) 37235081-82  
Fax # (+92-42) 37358817

**Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals)/ NTN (corporate entities) by shareholders.**

**Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001 ("Income Tax Ordinance").**

Pursuant to the provisions of the Finance Act, 2018 with effect from July 1, 2018, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

- (a) Rate of tax deduction for filer of income tax returns @ 15%
- (b) Rate of tax deduction for non-filer of income tax returns @ 20%

All shareholders' of the Company who hold shares in physical form are therefore requested to send a valid copy of their CNIC (individuals) and NTN (Corporate entities) certificate to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd. to allow the Company to ascertain the status of the shareholder.

Shareholders of the Company who hold shares in scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Ltd (CDC) are requested to send valid copies of their CNIC (individuals) and NTN (Corporate entities) certificate to their CDC Participants / CDC Investor Account Services

Where the required documents are not submitted, the Company will be constrained to treat the non-complying shareholders as a non-filer thereby attracting a higher rate of withholding tax.

Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on "Filer/ Non-Filer" status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar, in writing, within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint holder(s).

### **Requirement of Valid Tax Exemption Certificate for Claiming Exemption from Withholding Tax.**

As per FBR Circulars C.No.1(29)WHT/2006 dated 30 June 2010 and C.No. 1(43)DG(WHT)/2008-Vol.II-66417-R dated May 12, 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under Clause 47B of Part-IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.

### **Zakat Declaration (Form CZ-50)**

The Shareholders claiming exemption from deduction of Zakat are advised to submit their Zakat Declaration Form CZ-50 under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund Rules), 1981 to our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore. The Shareholders while sending the Zakat Declarations must quote company name and their respective Folio Nos and /or CDC A/c Nos.

### **Electronic Transmission of Audited Financial Statements and Notice of Annual General Meeting (Notice) Through E-Mail (Optional)**

Pursuant to SECP notification S.R.O 787(I)/ 2014 dated September 8, 2014, members, who hold shares in physical form, may inform the Company or Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd., and who hold shares in scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Ltd (CDC) may inform their CDC Participants / CDC Investor Account Services, to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form as given below:

**REQUEST FORM FOR ELECTRONIC TRANSMISSION OF  
AUDITED FINANCIAL STATEMENTS AND NOTICE THROUGH E-MAIL**

In terms of SECP notification SRO 787(I)/2014 dated September 8, 2014, I,  
\_\_\_\_\_ hereby give my consent for electronic  
transmission of Audited Financial Statements and Notice through e-mail. My e-mail address is  
\_\_\_\_\_.

I undertake that by sending the Audited Financial Statements and Notice through e-mail, by the  
Company, the Company shall be considered compliant with relevant requirements of sections 55,  
132 and 223(6) of the Companies Act, 2017.

It is stated that the above mentioned e-mail address is correct that I will intimate the changes in the  
above mentioned e-mail address to the Company and the Share Registrar as soon as these occur.

\_\_\_\_\_  
Signature of the Shareholder

Please send the above request form at the following address:

The Secretary,  
Prosperity Weaving Mills Ltd., Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660.  
e-mail address: [mohsin.gilani@nagina.com](mailto:mohsin.gilani@nagina.com)

or

M/s. Hameed Majeed Associates (Pvt.) Ltd.  
1<sup>st</sup> Floor, H.M. House, 7-Bank Square, Lahore.  
e-mail address: [shares@hmaconsultants.com](mailto:shares@hmaconsultants.com)

**Investor Relations Contact**

Mr. Syed Mohsin Gilani, Corporate Secretary  
Email: [mohsin.gilani@nagina.com](mailto:mohsin.gilani@nagina.com), Ph # (+92-42) 35756270, Fax: (+92-42) 35711856

**Delivery of the Unclaimed / Undelivered Shares & Dividend**

Members are requested to contact the Registered Office of the Company or the Share Registrar,  
M/s. Hameed Majeed Associates (Pvt) Ltd., 1<sup>st</sup> Floor, H.M. House, 7-Bank Square, Lahore, for  
collection of their unclaimed shares / unpaid dividend which they have not received due to any  
reasons



**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2018  
CUIN (INCORPORATION NUMBER) 0025740**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
195	1	100	3,545
130	101	500	41,172
58	501	1,000	52,644
104	1,001	5,000	283,193
31	5,001	10,000	240,770
14	10,001	15,000	187,910
2	15,001	20,000	39,300
2	20,001	25,000	45,500
2	25,001	30,000	53,395
1	30,001	35,000	30,878
1	35,001	40,000	39,000
-	40,001	50,000	-
4	50,001	55,000	203,669
-	55,001	80,000	-
1	80,001	85,000	84,591
-	85,001	110,000	-
1	110,001	115,000	110,500
-	115,001	120,000	-
1	120,001	125,000	125,000
-	125,001	350,000	-
1	350,001	355,000	352,000
-	355,001	490,000	-
1	490,001	495,000	491,500
-	495,001	695,000	-
1	695,001	700,000	700,000
1	700,001	705,000	700,500
-	705,001	1,395,000	-
2	1,395,001	1,400,000	2,800,000
-	1,400,001	1,675,000	-
1	1,675,001	1,680,000	1,678,242
-	1,680,001	2,120,000	-
2	2,120,001	2,125,000	4,240,315
-	2,125,001	2,135,000	-
1	2,135,001	2,140,000	2,138,646
-	2,140,001	3,745,000	-
1	3,745,001	3,750,000	3,747,415
			90,315
<b>558</b>	<b>Total:-</b>		<b>18,480,000</b>

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2018**

Sr #	Categories of Shareholders	Shares Held	Percentage
<b>1)</b>	<b>Directors, Chief Executive Officer, and their Spouse and Minor Children</b>		
i)	MR. SHAHZADA ELLAHI SHAIKH	2,120,219	11.47
ii)	MR. SHAUKAT ELLAHI SHAIKH	2,138,646	11.57
iii)	MR. SHAFQAT ELLAHI SHAIKH	2,120,096	11.47
iv)	MRS. HUMERA SHAHZADA ELLAHI SHAIKH	2,934	0.02
v)	MRS. MONA SHAUKAT SHAIKH	2,934	0.02
vi)	MRS. SHAISTA SHAFQAT SHAIKH	2,934	0.02
vii)	MR. RAZA ELLAHI SHAIKH	1,400,000	7.58
viii)	MR. AMIN ELLAHI SHAIKH	1,400,000	7.58
ix)	MR. HAROON SHAHZADA ELLAHI SHAIKH	700,500	3.79
x)	MR. JAVAID BASHIR SHEIKH	500	0.00
xi)	MRS. MEHREEN SAADAT	19,300	0.10
xii)	MR. HASAN AHMED	500	0.00
xiii)	MR. TARIQ ZAFAR BAJWA	500	0.00
		<b>9,909,063</b>	<b>53.62</b>
<b>2)</b>	<b>Associated Companies, Undertakings and Related Parties</b>		
i)	ELLAHI INTERNATIONAL ( PVT ) LTD.	3,747,415	20.28
ii)	ARH (PVT) LTD.	1,678,242	9.08
iii)	HAROON OMER ( PVT ) LTD.	50,857	0.28
iv)	MONELL (PVT) LTD,	51,907	0.28
v)	ICARO (PVT) LTD.	50,862	0.28
		<b>5,579,283</b>	<b>30.19</b>
<b>3)</b>	<b>NIT and ICP</b>	<b>Nil</b>	<b>Nil</b>
<b>4)</b>	<b>Banks, Development Finance Institutions, Non Banking Finance Institutions</b>		
i)	ESCORTS INVESTMENT BANK LIMITED	1	0.00
ii)	NATIONAL BANK OF PAKISTAN INVESTAR A/C (FORMER NDFC)	3,800	0.02
iii)	IDBL (ICP UNIT)	69	0.00
		<b>3,870</b>	<b>0.02</b>
<b>5)</b>	<b>Insurance Companies</b>	<b>Nil</b>	<b>Nil</b>
<b>6)</b>	<b>Modarabas and Mutual Funds</b>		
i)	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	84,591	0.46
		<b>84,591</b>	<b>0.46</b>
<b>7)</b>	<b>Shareholders Holding 10% or more</b>		
i)	ELLAHI INTERNATIONAL ( PVT ) LTD.	3,747,415	20.28
ii)	MR. SHAUKAT ELLAHI SHAIKH	2,138,646	11.57
iii)	MR. SHAHZADA ELLAHI SHAIKH	2,120,219	11.47
iv)	MR. SHAFQAT ELLAHI SHAIKH	2,120,096	11.47
		<b>10,126,376</b>	<b>54.80</b>
<b>8)</b>	<b>General Public</b>		
a.	Local	2,549,678	13.80
b.	Foreign	253	0.00
		<b>2,549,931</b>	<b>13.80</b>
<b>9)</b>	<b>Others (Joint Stock Companies)</b>	<b>353,262</b>	<b>1.91</b>

**Note:-**

M/s. Nagina Cotton Mills Ltd., had distributed 8,415,000 ordinary shares of M/s. Prosperity Weaving Mills Ltd., among its members, out of which 90,318 ordinary shares have yet to be transferred by the members of M/s. Nagina Cotton Mills Ltd., These shares have been shown under the head of "General Public".

## KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2018	2017 (restated)	2016 (restated)	2015	2014 (restated)	2013 (restated)
Sales	Rs.'000	6,212,431	5,820,163	5,211,429	5,811,482	6,346,901	6,600,175
Gross profit	Rs.'000	355,552	303,179	359,653	318,755	480,701	668,706
Operating profit	Rs.'000	199,138	160,420	183,708	138,410	303,650	480,814
Profit / (loss) before tax	Rs.'000	54,697	58,496	72,362	31,188	243,114	397,872
Profit / (loss) after tax	Rs.'000	54,697	56,198	39,972	60,831	182,417	344,776
Share capital - paid up	Rs.'000	184,800	184,800	184,800	184,800	184,800	184,800
Shareholders' equity	Rs.'000	1,001,077	968,176	956,937	893,366	925,937	857,020
Total assets	Rs.'000	4,259,667	4,298,635	2,940,709	2,789,119	2,299,116	1,773,379
Earning per share - pre tax	Rs.	2.96	3.17	3.92	1.69	13.16	21.53
Earnings per share - after tax	Rs.	2.96	3.04	2.16	3.29	9.87	18.66
Dividend per share	Rs.	2.00	2.00	1.75	1.50	5.00	6.00
Market value per share as on 30 June	Rs.	26.00	28.61	30.50	32.85	41.00	31.00
Gross profit to sales	%	5.72	5.21	6.90	5.48	7.57	10.13
Operating profit to sales	%	3.21	2.76	3.53	2.38	4.78	7.28
Profit / (loss) before tax to sales	%	0.88	1.01	1.39	0.54	3.83	6.03
Profit / (loss) after tax to sales	%	0.88	0.97	0.77	1.05	2.87	5.22
Current ratio		1.21:1	1.26:1	1.54:1	1.72:1	1.40:1	1.55:1
Total debt ratio	%	76.50	77.48	67.46	65.98	58.11	49.58
Debt equity ratio	%	62.93	65.26	57.10	58.90	42.70	25.01

# **FINANCIAL STATEMENTS**

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF PROSPERITY WEAVING 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 **Prosperity Weaving Mills Limited** for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

Based on our review, 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

*Deloitte Yousuf Adil*  
Chartered Accountants

**Engagement Partner:**  
Rana M Usman Khan

**Date:** September 27, 2018

**Place:** Lahore

## INDEPENDENT AUDITOR'S REPORT

To the members of Prosperity Weaving Mills Limited

Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of Prosperity Weaving Mills Limited (the Company) which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial 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 and other comprehensive loss, 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 loss, 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 matter(s):

Key audit matter	How the matter was addressed in our audit
<p><b>Change in accounting policy as a result of changes in the Companies Act, 2017</b></p> <p>As referred to in note 3.2.1 to the accompanying financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018 due to which the Company has changed its accounting policy to account for surplus on revaluation of and with retrospective effect. Previously, surplus on revaluation was presented in the financial statements below the equity and changes in surplus was taken directly to equity. Due to change in accounting policy, surplus on revaluation will be part of the equity and revaluation changes will be taken through other comprehensive income.</p> <p>We have considered the above as a Key Audit Matter due to the significant amount of surplus on revaluation of fixed assets, the complexity involved for retrospective application and compliance with the disclosure requirements of IAS 8 - "Accounting Policies and Changes in Accounting Estimates and Errors".</p>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> <li>• Obtained workings for retrospective accounting of surplus on revaluation of fixed assets;</li> <li>• Re-performed the calculations based on the working and valuation reports of the respective years.</li> <li>• Reviewed that values of fixed assets, surplus on revaluation of fixed assets and gain / loss on assets disposed-off have been properly restated in the financial statements; and</li> <li>• Assessed if the change in accounting policy has been properly disclosed by the management in the financial statements of the Company in accordance with IAS-8 "Accounting policies and changes in accounting estimates and errors".</li> </ul>
<p><b>Revenue Recognition</b></p> <p>The Company's sales comprise of revenue from the local and export sale of fabric which has been disclosed in note 25 to the financial statements.</p> <p>Revenue from the sale is recognized, when significant risks and rewards of ownership are transferred to the customer i.e. on dispatch of goods and transfer of risk and rewards of ownership (note 3.17).</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of risk and rewards to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and assessing the design and implementation and operating effectiveness of controls around recognition of revenue ;</li> <li>• Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</li> <li>• Checked on a sample basis whether the recorded local and export sales transactions are based on dispatch of goods and after issue of gate passes.</li> <li>• Testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents.</li> </ul>

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

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

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

Board of Directors 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 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 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 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 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 and 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) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

*Deloitte Yousuf Adil*  
Chartered Accountants

**Engagement Partner:**  
Rana M Usman Khan

**Date:** September 27, 2018

**Place:** Lahore

## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018


	Note	2018	2017	2016
			Rupees	
			(Restated)	(Restated)
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized share capital 20,000,000 (2017: 20,000,000) ordinary shares of Rs. 10 each		<b>200,000,000</b>	200,000,000	200,000,000
Issued, subscribed and paid up capital	4	<b>184,800,000</b>	184,800,000	184,800,000
Reserves	5	<b>760,711,978</b>	727,811,344	716,572,760
Revaluation surplus on land	13.1.6	<b>55,564,634</b>	55,564,634	55,564,634
<b>TOTAL EQUITY</b>		<b>1,001,076,612</b>	968,175,978	956,937,394
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Long term finances	6	<b>1,492,380,256</b>	1,616,753,424	1,128,495,966
Employees retirement benefits	7	<b>99,689,123</b>	83,825,666	72,014,971
Deferred taxation	8	<b>-</b>	22,739,398	20,833,428
		<b>1,592,069,379</b>	1,723,318,488	1,221,344,365
<b>CURRENT LIABILITIES</b>				
Trade and other payables	9	<b>389,635,181</b>	405,576,247	292,741,102
Accrued interest / markup	10	<b>35,059,916</b>	26,616,488	23,681,463
Short term borrowings	11	<b>1,030,068,055</b>	968,807,297	296,697,018
Current portion of long term finances	6	<b>207,183,323</b>	201,756,712	145,102,827
Unclaimed dividend	42	<b>4,574,516</b>	4,383,812	4,204,352
		<b>1,666,520,991</b>	1,607,140,556	762,426,762
<b>TOTAL LIABILITIES</b>		<b>3,258,590,370</b>	3,330,459,044	1,983,771,127
<b>CONTINGENCIES AND COMMITMENTS 12</b>				
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,259,666,982</b>	4,298,635,022	2,940,708,521

The annexed notes from 1 to 44 form an integral part of these financial statements.



Raza Ellahi Shaikh

Mg. Director (Chief Executive)



Muhammad Tariq Sheikh

Chief Financial Officer

Lahore: September 27, 2018

## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Note	2018	2017	2016
			Rupees	
			(Restated)	(Restated)
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Fixed assets	13	2,212,521,284	2,258,307,569	1,747,990,597
Long term deposits	14	15,039,000	15,039,000	15,039,000
Deferred taxation	8	20,420,379	-	-
		<b>2,247,980,663</b>	<b>2,273,346,569</b>	<b>1,763,029,597</b>
<b>CURRENT ASSETS</b>				
Stores, spare parts and loose tools	15	49,968,085	41,019,980	47,481,702
Stock-in-trade	16	358,371,438	385,948,672	297,162,407
Trade debts	17	713,046,835	632,444,734	283,067,622
Advances	18	37,266,080	58,398,118	50,546,135
Short term prepayments	19	1,789,848	1,774,557	7,591,665
Other receivables	20	36,319,112	38,702,922	1,669,089
Sales tax refundable	21	53,690,627	145,042,143	124,202,738
Short term investments	22	451,287,139	549,149,576	119,964,290
Advance income tax - net	23	142,234,647	157,554,473	127,896,255
Cash and bank balances	24	167,712,508	15,253,278	118,097,021
		<b>2,011,686,319</b>	<b>2,025,288,453</b>	<b>1,177,678,924</b>
<b>TOTAL ASSETS</b>		<b>4,259,666,982</b>	<b>4,298,635,022</b>	<b>2,940,708,521</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

  
**Shahzada Ellahi Shaikh**  
 Chairman

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales - net	25	6,212,431,041	5,820,163,201
Cost of sales	26	(5,856,879,507)	(5,516,984,658)
<b>Gross profit</b>		<b>355,551,534</b>	<b>303,178,543</b>
Distribution cost	27	(78,660,592)	(92,747,178)
Administrative expenses	28	(84,556,825)	(75,081,091)
Other operating expenses	29	(40,558,072)	(12,932,566)
		<b>(203,775,489)</b>	<b>(180,760,835)</b>
		<b>151,776,045</b>	<b>122,417,708</b>
Other income	30	47,361,759	38,002,598
<b>Operating profit</b>		<b>199,137,804</b>	<b>160,420,306</b>
Finance cost	31	(144,441,167)	(101,924,034)
<b>Profit before taxation</b>		<b>54,696,637</b>	<b>58,496,272</b>
Provision for taxation	32	-	(2,298,726)
<b>Profit after taxation</b>		<b>54,696,637</b>	<b>56,197,546</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to statement of profit or loss:</b>			
Remeasurement of post retirement benefits obligation	7.6	248,810	(4,363,959)
Related tax impact	8.1	1,052,137	392,756
Transfer of unrealized loss due to impairment of investment in equity securities	29	23,753,981	-
Related tax impact		(3,563,097)	-
<b>Items that may be reclassified subsequently to statement of profit or loss:</b>			
Unrealized (loss) / gain on remeasurement of short term investments classified as available for sale		(8,929,635)	(8,647,759)
Related tax impact		2,601,801	-
Other comprehensive income / (loss)		<b>15,163,997</b>	<b>(12,618,962)</b>
<b>Total comprehensive income for the year</b>		<b>69,860,634</b>	<b>43,578,584</b>
<b>Earnings per share - basic and diluted</b>	33	<b>2.96</b>	<b>3.04</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.



Raza Ellahi Shaikh

Mg. Director (Chief Executive)



Muhammad Tariq Sheikh

Chief Financial Officer



Shahzada Ellahi Shaikh

Chairman

Lahore: September 27, 2018

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	36	481,282,366	(24,500,416)
Employee benefits paid		(10,243,736)	(13,762,797)
Finance cost paid		(135,997,739)	(98,989,009)
Income taxes paid		(27,749,110)	(29,658,218)
<b>Net cash generated from / (used in) operating activities</b>		<b>307,291,781</b>	<b>(166,910,440)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(185,575,128)	(774,757,349)
Proceeds from disposal of property, plant and equipment		6,841,000	72,159,208
Purchase of short term investments		(112,284,102)	(444,147,625)
Proceeds from sale of short term investments		200,102,722	7,845,228
Dividend received		30,538,052	18,106,153
<b>Net cash used in investing activities</b>		<b>(60,377,456)</b>	<b>(1,120,794,385)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term finances obtained		127,688,000	690,365,676
Repayment of long term finances		(246,634,557)	(145,454,333)
Short term borrowings - net		61,260,758	672,110,279
Dividend paid		(36,769,296)	(32,160,540)
<b>Net cash (used in) / generated from financing activities</b>		<b>(94,455,095)</b>	<b>1,184,861,082</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>152,459,230</b>	<b>(102,843,743)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>15,253,278</b>	<b>118,097,021</b>
<b>Cash and cash equivalents at end of the year</b>		<b>167,712,508</b>	<b>15,253,278</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.



Raza Ellahi Shaikh

Lahore: September 27, 2018

Mg. Director (Chief Executive)



Muhammad Tariq Sheikh

Chief Financial Officer



Shahzada Ellahi Shaikh

Chairman

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

	Issued, subscribed and paid up capital	Capital reserve			Revenue reserve	Total
		Amalgamation reserve	Revaluation surplus on land	Fair value reserve	Accumulated profit	
----- Rupees -----						
<b>Balance at June 30, 2016 - as reported earlier</b>	184,800,000	16,600,000	-	580,505	699,392,255	901,372,760
Effect of change in accounting policy (note: 3.2.1)	-	-	55,564,634	-	-	55,564,634
<b>Balance at June 30, 2016 - restated</b>	184,800,000	16,600,000	55,564,634	580,505	699,392,255	956,937,394
<b>Comprehensive income</b>						
Profit after taxation	-	-	-	-	56,197,546	56,197,546
Other comprehensive loss - net of tax	-	-	-	(8,647,759)	(3,971,203)	(12,618,962)
<b>Total comprehensive income for the year</b>	-	-	-	(8,647,759)	52,226,343	43,578,584
<b>Transactions with owners</b>						
Final dividend @ 17.5% i.e. Rs. 1.75 per share	-	-	-	-	(32,340,000)	(32,340,000)
<b>Balance at June 30, 2017 - restated</b>	184,800,000	16,600,000	55,564,634	(8,067,254)	719,278,598	968,175,978
<b>Comprehensive income</b>						
Profit after taxation	-	-	-	-	54,696,637	54,696,637
Other comprehensive income / (loss) - net of tax	-	-	-	13,863,050	1,300,947	15,163,997
<b>Total comprehensive income for the year</b>	-	-	-	13,863,050	55,997,584	69,860,634
<b>Transactions with owners</b>						
Final dividend @ 20% i.e. Rs. 2 per share	-	-	-	-	(36,960,000)	(36,960,000)
<b>Balance at June 30, 2018</b>	<b>184,800,000</b>	<b>16,600,000</b>	<b>55,564,634</b>	<b>5,795,796</b>	<b>738,316,182</b>	<b>1,001,076,612</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.



Raza Ellahi Shaikh  
Mg. Director (Chief Executive)



Muhammad Tariq Sheikh  
Chief Financial Officer



Shahzada Ellahi Shaikh  
Chairman

Lahore: September 27, 2018

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 1 LEGAL STATUS AND OPERATIONS

1.1 Prosperity Weaving Mills Limited (the Company) was incorporated in Pakistan on November 20, 1991 as a public limited company under the repealed Companies Ordinance, 1984 (Now Companies Act 2017) and listed on Pakistan Stock Exchange Limited on October, 17 1995. The registered office of the Company is situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore. The principal activity of the Company is manufacturing and sale of woven cloth. The plant measuring 102 kanals is located at 13.5 km Sharakpura road, District Sheikhpura in the Province of Punjab.

1.2 These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

### 2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) 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 Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 2.1 STANDARDS, INTERPRETATION AND AMENDMENT ADOPTED DURING THE YEAR

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

#### 2.1.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

2.1.1.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

#### Effective from accounting period beginning on or after:

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.

Effective from accounting period beginning on or after January 01, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses.

Effective from accounting period beginning on or after January 01, 2017

Certain annual improvements have also been made to a number of IFRSs.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of certain additional disclosures.

#### 2.1.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions

Effective from accounting period beginning on or after January 01, 2018

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

Effective from accounting period beginning on or after January 01, 2018

IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Effective from accounting period beginning on or after July 01, 2018

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	Effective from accounting period beginning on or after January 01, 2019
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	Effective from accounting period beginning on or after July 01, 2018
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	Effective from accounting period beginning on or after January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	Effective from accounting period beginning on or after January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	Effective from accounting period beginning on or after January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	Effective from accounting period beginning on or after January 01, 2019

**2.1.3** Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

## **2.2 SUMMARY OF SIGNIFICANT EVENT AND TRANSACTIONS IN THE CURRENT REPORTING YEAR**

The Company has made additions to fixed asset amounting to Rs. 210 million. Major addition is Gas generator amounting to Rs. 127 million which has enhanced Company's power generation capacity by 4.4 MW.

## **2.3 SIGNIFICANT ESTIMATES**

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes 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 on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

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



### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 ACCOUNTING CONVENTION**

These financial statements have been prepared under historical cost convention modified by:

- revaluation of land;
- financial instruments at fair value; and
- recognition of certain employee retirement benefits at present value.

#### **3.2 PROPERTY, PLANT AND EQUIPMENT**

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

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate at each balance sheet date. When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as part of asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred. Depreciation is charged to profit and loss account applying the reducing balance method over its estimated useful life at the rates specified in note 14.1 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related property, plant and equipment during the year is transferred by the Company to its accumulated profit.

Gain or loss on disposal of property, plant and equipment, if any, is recognized in the profit and loss account for the year.

All costs 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.

##### **3.2.1 Change in accounting policy**

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

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

Increases in the carrying amounts arising on revaluation of land are recognized in other comprehensive income and accumulated in reserves in shareholders' equity.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated as given in note 13.1.6.

#### **3.3 ASSETS SUBJECT TO FINANCE LEASE**

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

#### **3.4 INTANGIBLE ASSETS**

Intangible assets are stated at cost less accumulated amortization and impairment in value. Intangible assets are amortized over a period of five years using straight line method. Amortization on additions during the year is charged from the month in which an asset is acquired or capitalized.

#### **3.5 STORES, SPARE PARTS AND LOOSE TOOLS**

These are valued at the cost, determined on moving weighted average basis less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

**3.6 STOCK-IN-TRADE**

These are valued at the lower of cost and net realizable value. Cost is determined by applying the following basis:

Raw material	Weighted average
Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

Raw material in transit is stated at invoice value plus other charges paid thereon up to the balance sheet date. Average manufacturing cost in relation to work-in-process and finished goods consists of direct material, labour and a proportion of manufacturing overheads based on normal capacity. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

**3.7 IMPAIRMENT OF NON FINANCIAL ASSETS**

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised recoverable amount but limited to the extent of carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversal of impairment loss is recognized as income.

**3.8 FINANCIAL INSTRUMENTS**

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

Financial instruments are initially recorded at fair value on the date of acquisition or date of contract and are re-measured to fair value at subsequent reporting dates.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account.

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

**3.9 INVESTMENTS**

**At fair value through profit or loss**

These include investments designated at fair value through profit or loss at inception. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

**3.9.1 Available for sale financial assets**

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

**Quoted**

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

**Un-quoted**

Investments in unquoted equity instruments, if any, are stated at cost less any identified impairment losses.

**3.9.2 Held-to-maturity**

Held-to-maturity investments are initially recognized at acquisition cost, which includes transaction cost associated with the investment. Subsequently these are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrevocable amounts.

### 3.10 IMPAIRMENT OF FINANCIAL ASSETS

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

### 3.11 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

### 3.12 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful debts and receivables based on review of outstanding amounts at the period end. Balances considered bad and irrecoverable are written off when identified.

### 3.13 CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

### 3.14 TRADE AND OTHER PAYABLES

Liabilities for trade and other payables are carried at their 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 EMPLOYEE RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the schemes on the basis of actuarial valuation and are charged to profit and loss account for the year. The assumptions are determined by independent actuary.

The amount recognized in the balance sheet represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains/ losses arising from the actuarial valuation are recognized immediately and are presented in other comprehensive income. The latest actuarial valuation was carried as at June 30, 2018.

Details of the schemes are given in note 7 to these financial statements.

The Company provides for compensated absences of its employees on un-availed balance of leaves in the period in which the leaves are earned.

### 3.16 PROVISIONS

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

### 3.17 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 recognized when goods are delivered and title has been passed.
- Export rebate is recognized on accrual basis at the time of making the export sales.
- Profit on saving accounts is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective profit rate applicable.

### 3.18 BORROWINGS

Loans and borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and are included in mark-up accrued on loans to the extent of amount remaining unpaid, if any.

### 3.19 LEASES

Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### 3.20 BORROWING COSTS

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

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

### 3.21 TAXATION

#### Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum taxation as per Income Tax Ordinance, 2001. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

#### Deferred

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statements, except in the case of items credited or charged to equity in that case it is included in equity.

### 3.22 FOREIGN CURRENCIES TRANSACTION AND TRANSLATION

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in profit and loss for the year.

### 3.23 DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

### 3.24 EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.



	2018	2017
	Rupees	Rupees
	1,699,563,579	1,818,510,136
	207,183,323	201,756,712
	<u>1,492,380,256</u>	<u>1,616,753,424</u>

**6.1 From banking companies - secured** ----- Other terms and conditions

Name of Institution	Limit		Outstanding amount		Security	Arrangement, repayment and mark-up
	2018	2017	2018	2017		
	----- Rupees -----					
6.1.1 Askari Bank Limited	71,018,100	71,018,100	41,965,245	54,877,625	Joint pari passu hypothecation charge of Rs. 805.2 million over all present and future fixed assets of the Company with 25% margin.	This facility has been obtained against a sanctioned limit of Rs.113 million out of which Rs. 71.02 million have been converted into LTFF scheme of State Bank of Pakistan. The loan is repayable in 22 quarterly installments, with a 18 months grace period, commenced from May 25, 2016. The loan carries mark-up rate of 6.50% (2017: 6.50%) per annum payable quarterly.
6.1.2 Askari Bank Limited	41,981,900	41,981,900	22,898,730	30,531,638	Joint pari passu hypothecation charge of Rs. 805.2 million over all present and future fixed assets of the Company with 25% margin.	This facility has been obtained against a sanctioned limit of Rs. 113 million out of which Rs. 71.02 million have been converted into LTFF scheme of State Bank of Pakistan and Rs. 41.98 million remain as term finance. The loan is repayable in 22 equal quarterly installments with 18 months grace period, commenced from February 12, 2016. The loan carries mark-up rate of 3 months KIBOR plus 1.00% (2017: 3 months KIBOR plus 1.00%) per annum payable quarterly.
6.1.3 Askari Bank Limited	291,666,430	291,666,430	246,093,549	282,551,853	Joint pari passu hypothecation charge of Rs. 805.2 million over all present and future fixed assets of the Company with 25% margin.	This facility has been obtained against a sanctioned limit of Rs. 385 million out of which Rs. 291.66 million have been converted into LTFF scheme of State Bank of Pakistan. The loan is repayable in 32 quarterly installments, with a 24 months grace period, commenced from June 5, 2017. The loan carries mark-up rate of 6.50% (2017: 6.50%) per annum payable quarterly.
6.1.4 Askari Bank Limited	93,333,570	93,333,570	75,833,455	87,500,139	Joint pari passu hypothecation charge of Rs. 805.2 million over all present and future fixed assets (plant and machinery) of the Company with 25% margin.	This facility has been obtained against a sanctioned limit of Rs. 385 million out of which Rs. 291.66 million have been converted into LTFF scheme of State Bank of Pakistan and Rs. 93.33 million remain as term finance. The loan is repayable in 32 quarterly installments with 24 months grace period, commenced from February 12, 2017. The loan carries mark-up rate of 3 months KIBOR plus 1.00% (2017: 3 months KIBOR plus 1.00%) per annum payable quarterly.

	Name of Institution	Limit		Outstanding amount		Security	Other terms and conditions	Arrangement, repayment and mark-up
		Rupees		Rupees				
		2018	2017	2018	2017			
6.1.5	Askari Bank Limited	115,000,000	115,000,000	96,907,969	111,264,705	Joint pari passu hypothecation charge of Rs. 805.2 million over all present and future fixed assets (plant and machinery) of the Company with 25% mark-up rate of 3 months KIBOR plus 1% (2017: 3 months KIBOR plus 1%) per annum payable quarterly.	This facility has been obtained against a sanctioned limit of Rs. 115 million. The loan is repayable in 32 and quarterly installments with 24 months grace period, commenced from May 27, 2017. The loan carries mark-up rate of 3 months KIBOR plus 1% (2017: 3 months KIBOR plus 1%) per annum payable quarterly.	
6.1.6	Habib Bank Limited	322,772,452	322,772,452	176,057,702	234,743,602	Joint pari passu charge of Rs. 605 million on all present and future fixed assets of the Company with 25% margin, and personal guarantees of sponsor directors of the Company.	This facility has been obtained against a sanctioned limit of Rs. 350 million out of which Rs. 322.77 million have been converted into LTFE scheme of State Bank of Pakistan. The loan is repayable in 22 quarterly installments with a 18 month grace period commenced from February 13, 2016. The loan carries mark-up rate 6.75% with effect from January 26, 2018 to May 25, 2018 and increased to 7.25 % with effect from May 26, 2018 (2017: 6.50%) per annum payable quarterly.	
6.1.7	Habib Bank Limited	109,701,408	109,701,408	-	64,823,556	Joint pari passu charge of Rs. 605 million on all present and future fixed assets of the Company with 25% margin, and personal guarantees of sponsor directors of the Company.	This facility had been obtained against a sanctioned limit of Rs. 200 million out of which Rs. 109.70 million had been converted into LTFE scheme of State Bank of Pakistan. The loan was repayable in 22 installments with a 7 months grace period, commenced from April 7, 2015 but early repaid by Company due to higher finance cost. The loan carried mark-up rate 6.75% with effect from January 26, 2018 to May 25, 2018 and increased to 7.25 % with effect from May 26, 2018 (2017: 6.50%) per annum payable quarterly.	
6.1.8	Habib Bank Limited	90,298,592	90,298,592	36,940,339	53,358,263	Joint pari passu charge of Rs. 605 million on all present and future fixed assets of the Company with 25% margin, and personal guarantees of sponsor directors of the Company.	This facility has been obtained against a sanctioned limit of Rs. 200 million out of which Rs. 109.70 million have been converted into LTFE scheme of State Bank of Pakistan and Rs. 90 million remain as term loan. The loan is repayable in 22 equal quarterly installments with 18 months grace period, commenced from April 7, 2015. The loan carries mark-up rate of 3 months KIBOR plus 1.35% (2017: 3 months KIBOR plus 1.35%) per annum payable quarterly.	
6.1.9	Habib Bank Limited	27,227,548	27,227,548	14,851,388	19,801,852	Joint pari passu charge of Rs. 605 million on all present and future fixed assets of the Company with 25% margin, and personal guarantees of sponsor directors of the Company.	This facility has been obtained against a sanctioned limit of Rs. 350 million out of which Rs. 322.77 million have been converted into LTFE scheme of State Bank of Pakistan and Rs. 27 million remain as term loan. The loan is repayable in 22 equal quarterly installments with 18 months grace period, commenced from February 13, 2016. The loan carries mark-up rate of 3 months KIBOR plus 1% (2017: 3 months KIBOR plus 1%) per annum payable quarterly.	

Name of Institution	Limit	Outstanding amount		Security	Arrangement, repayment and mark-up
		2018	2017		
		Rupees			
6.1.10 Habib Bank Limited	50,000,000	-	1,111,111	Joint pari passu charge of Rs. 605 million on all present and future fixed assets of the Company with 25% margin, and personal guarantees of sponsor directors of the Company.	This facility had been obtained against a sanctioned limit of Rs. 50 million out of which Rs. 20 million had been converted into LTFF scheme of State Bank of Pakistan. The loan has been repaid till July 11, 2017 in 18 equal quarterly installments with 6 months grace period, commenced from October 10, 2014. The loan carried mark-up rate of 6 months KIBOR plus 1.75% (2017: 6 months KIBOR plus 1.75%) per annum payable quarterly.
6.1.11 United Bank Limited	187,931,622	170,313,033	187,931,622	Joint pari passu charge amounting to Rs. 1,184.3 million over fixed assets (land, buildings & machinery) of Company with 25% margin.	This facility has been obtained against sanctioned limit of Rs. 187,935 million converted into LTFF scheme of State Bank of Pakistan. The loan is repayable in 32 quarterly installments commencing from November 10, 2017. The loan carries mark-up rate of 3.50% (2017: 3.50%) per annum payable quarterly.
6.1.12 United Bank Limited	40,000,000	30,475,885	30,475,886	Joint pari passu charge amounting to Rs. 1,184.3 million over fixed assets (land, buildings & machinery) of Company with 25% margin.	This facility has been obtained against sanctioned limit of Rs. 700 million out of which Rs. 40 million has been converted into LTFF on July 19, 2017. The loan is repayable in 32 equal quarterly installments commencing from October 19, 2019 with grace period of 24 months. The loan carries mark up at the rate of SBP's rate plus 0.5%.
6.1.13 United Bank Limited	660,000,000	659,538,284	659,538,284	Joint pari passu charge amounting to Rs. 1,184.3 million over fixed assets (land, buildings & machinery) of Company with 25% margin.	This facility has been obtained against sanctioned limit of Rs. 660 million out of which Rs. 660 million has been converted into LTFF on January 18, 2017. The loan is repayable in 32 quarterly installments in arrears commencing from April 18, 2019 with grace period of 24 months. The loan carries mark up at SBP's rate plus 0.5%.
6.1.14 Askari Bank Limited	200,000,000	127,688,000	-	Joint pari passu hypothecation charge of Rs. 267 million on all present and future fixed assets of company to be created within 150 days of first draw down date.	This facility has been obtained against sanctioned limit of Rs. 200 million. The loan is repayable in 32 quarterly installments in arrears commencing from August 18, 2020 with grace period of 24 months. The loan carries mark up at SBP's rate plus 0.5%.
6.2			1,699,563,579		
			1,818,510,136		

These facilities carry effective mark-up rate ranging from 2.50% to 7.9% (2017: 2.50% to 9.00%) per annum.



## 7 EMPLOYEES RETIREMENT BENEFITS

The Company has a defined benefit plan comprising an un-funded gratuity scheme for its permanent employees. Latest valuation has been conducted as at June 30, 2018.

	2018 Rupees	2017 Rupees
<b>7.1 Amounts recognized in the balance sheet are as follows:</b>		
Present value of defined benefit obligation as at June 30	<u>99,689,123</u>	<u>83,825,666</u>
<b>7.2 Movement in liability:</b>		
Net liability at the beginning of the year	83,825,666	72,014,971
Charge for the year	26,356,003	21,209,533
Benefits paid during the year	(10,243,736)	(13,762,797)
Remeasurement changes chargeable to other comprehensive income	(248,810)	4,363,959
Net liability at the end of the year	<u>99,689,123</u>	<u>83,825,666</u>
<b>7.3 Movement in the present value of defined benefit obligation is as follows:</b>		
Present value of defined benefit obligation as at July 01	83,825,666	72,014,971
Current service cost	20,256,459	16,487,349
Interest cost	6,099,544	4,722,184
Benefits paid	(10,243,736)	(13,762,797)
Remeasurements:		
Actuarial losses from changes in financial assumptions	508,535	176,945
Experience adjustments	(757,345)	4,187,014
Present value of defined benefit obligation as at June 30	<u>99,689,123</u>	<u>83,825,666</u>
<b>7.4 Expense recognized in profit and loss account is as follows:</b>		
Current service cost	20,256,459	16,487,349
Interest cost	6,099,544	4,722,184
	<u>26,356,003</u>	<u>21,209,533</u>
<b>7.5 Charge for the year has been allocated as follows:</b>		
Cost of sales	22,748,424	15,003,467
Administrative expenses	3,607,579	6,206,066
	<u>26,356,003</u>	<u>21,209,533</u>
<b>7.6 Total remeasurement chargeable to other comprehensive income:</b>		
Remeasurement of defined benefit obligation:		
Actuarial losses from changes in financial assumptions	508,535	176,945
Experience adjustment	(757,345)	4,187,014
	<u>(248,810)</u>	<u>4,363,959</u>
<b>7.7</b> Projected unit credit method, based on the following significant assumptions, is used for valuation of gratuity:		
	2018	2017
Discount rate	9%	7.75%
Expected rate of salary increase	7%	5.75%
Average retirement age of employee	60 years	60 years

## 7.8 Sensitivity analysis

	Defined benefit obligation		
	Changes in assumptions	Increase in assumption	Decrease in assumption
		Rupees	Rupees
Discount rate	1.25%	93,194,923	107,150,401
Salary growth rate	1.25%	107,510,816	92,758,834

The aforementioned sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the balance sheet.

- 7.9 The expected contribution to defined benefit obligation for the year ending June 30, 2019 is Rs. 30.160 million.  
7.10 The weighted average period of defined benefit obligation is seven years.

8 DEFERRED TAXATION	2018 Rupees	2017 Rupees
The liability for deferred taxation comprises timing differences relating to:		
<b>Taxable temporary differences</b>		
Accelerated tax depreciation	138,280,310	105,961,863
<b>Deductible temporary differences</b>		
Provision for employee benefits	(15,421,786)	(11,461,582)
Short term investments	(2,540,308)	(856,683)
<b>Tax credits</b>		
Tax credits under section 113 / 65B	(140,738,595)	(70,904,200)
	<u>(20,420,379)</u>	<u>22,739,398</u>

## 8.1 Movement in temporary differences for the year

	Balance as at July 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2018
	----- Rupees -----			
<b>Taxable temporary difference:</b>				
Accelerated tax depreciation	105,961,863	32,318,447	-	138,280,310
<b>Deductible temporary difference:</b>				
Provision for gratuity	(11,461,582)	(2,908,067)	(1,052,137)	(15,421,786)
Short term investments	(856,683)	(2,644,921)	961,296	(2,540,308)
Tax credits	(70,904,200)	(69,834,395)	-	(140,738,595)
	<u>22,739,398</u>	<u>(43,068,936)</u>	<u>(90,841)</u>	<u>(20,420,379)</u>

	Balance as at July 1, 2016	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2017
	----- Rupees -----			
<b>Taxable temporary difference</b>				
Accelerated tax depreciation	61,871,723	44,090,140	-	105,961,863
<b>Deductible temporary difference</b>				
Provision for gratuity	(6,897,918)	(4,170,908)	(392,756)	(11,461,582)
Short term investments	61,493	(918,176)	-	(856,683)
Tax credits	(34,201,870)	(36,702,330)	-	(70,904,200)
	<u>20,833,428</u>	<u>2,298,726</u>	<u>(392,756)</u>	<u>22,739,398</u>

9 TRADE AND OTHER PAYABLES	Note	2018 Rupees	2017 Rupees
Creditors		108,223,448	131,294,857
Accrued liabilities		252,926,784	199,270,702
Workers' Profit Participation Fund	9.1	2,937,521	2,974,071
Workers' Welfare Fund		1,116,258	-
Advance from customers		15,634,981	30,457,467
Retention money		1,706,877	1,593,196
Withholding tax payable		358,161	1,086,035
Others		6,731,151	38,899,919
		<u>389,635,181</u>	<u>405,576,247</u>

**9.1 Workers' Profit Participation Fund**

Balance as at beginning of year		<b>2,974,071</b>	3,917,314
Interest on funds utilized in the Company's business	<b>9.1.1</b>	<b>234,666</b>	297,219
		<b>3,208,737</b>	4,214,533
Paid during the year		<b>(3,208,737)</b>	(4,214,533)
		-	-
Allocation for the year	<b>29</b>	<b>2,937,521</b>	2,974,071
Balance as at end of year		<b>2,937,521</b>	2,974,071

9.1.1 Interest on Workers' Profit Participation Fund has been provided @ 15% (2017:13.13%) per annum.

<b>10 ACCRUED INTEREST / MARKUP</b>	<b>Note</b>	<b>2018 Rupees</b>	<b>2017 Rupees</b>
Long term finances		<b>19,576,767</b>	22,085,638
Short term borrowings		<b>15,483,149</b>	4,530,850
		<b>35,059,916</b>	26,616,488

**11 SHORT TERM BORROWINGS**

From banking companies:			
Financing against packing credit - foreign currency - secured	<b>11.2</b>	-	618,176,166
Running finance - secured	<b>11.3</b>	<b>875,402,411</b>	247,553,155
Bank overdraft - unsecured	<b>11.4</b>	<b>154,665,644</b>	103,077,976
		<b>1,030,068,055</b>	968,807,297

11.1 The aggregate un-availed short term borrowing facilities amount to Rs. 3,540 million (2017: Rs.1,249 million).

11.2 These foreign currency facilities had been obtained from various commercial banks for working capital requirements; and carried markup rate ranging from (2017: 1% to 2.25%) per annum.

11.3 These facilities have been obtained from various commercial banks for working capital requirements; carrying mark-up ranging from 6.34% to 7.42% (2017:6.24% to 6.87 % ) per annum. These facilities expire on various dates by May 31, 2019.

11.4 This represents booked overdraft due to cheques issued by the Company in excess of balance with banks which will be presented for payment in subsequent period.

11.5 Short term borrowings are secured against ranking charge of Rs. 2,825 million (2017: Rs.2,425 million) and first pari passu charge of Rs. 3,117 million (2017: Rs.3,117 million) on all present and future current assets of the Company.

**12 CONTINGENCIES AND COMMITMENTS****12.1 Contingencies**

12.1.1 For contingencies relating to tax matters, please refer to note 33.3 to note 33.6 to the financial statements.

	<b>Note</b>	<b>2018 Rupees</b>	<b>2017 Rupees</b>
12.1.2 Guarantees issued by banks in favor of Government departments on behalf of the Company in the normal course of business		<b>119,524,946</b>	117,868,405
Post dated cheques issued to Collector of Customs and SNGPL		<b>2,633,795,867</b>	1,970,777,553
		<b>2,753,320,813</b>	2,088,645,958

**12.2 Commitments**

Irrevocable letters of credit for:

Capital expenditures		<b>12,148,620</b>	-
Non-capital expenditures		<b>82,077,514</b>	13,354,541
		<b>94,226,134</b>	13,354,541

Operating lease:

Payable within one year		<b>657,433</b>	728,750
Payable later than one year but not later than five years		-	221,833
		<b>657,433</b>	950,583
		<b>94,883,567</b>	14,305,124

**13 FIXED ASSETS****Property, plant and equipment**

Operating fixed assets	<b>13.1</b>	<b>2,209,083,425</b>	2,228,549,491
Capital work in progress	<b>13.1.7</b>	-	25,141,525
		<b>2,209,083,425</b>	2,253,691,016
<b>Intangible assets</b>	<b>13.1.8</b>	<b>3,437,859</b>	4,616,553
		<b>2,212,521,284</b>	2,258,307,569

13.1 Operating fixed assets - as at June 30, 2018

Description	----- COST / REVALUED AMOUNT -----			----- DEPRECIATION -----			Net book value as at June 30, 2018	Annual rate of depreciation
	As at July 01, 2017	Additions / (disposals)	As at June 30, 2018	As at July 01, 2017	For the year / (on disposals)	As at June 30, 2018		
Owned								
Freehold land (note 13.1.5)	57,772,000	-	57,772,000	-	-	-	57,772,000	-
Buildings on freehold land								
- Factory	243,838,871	1,819,074	245,657,945	120,728,153	12,461,495	133,189,648	112,468,297	10%
- Residential	111,693,771	-	111,693,771	49,751,884	6,195,355	55,947,239	55,746,532	10%
Buildings on leasehold land	22,391,752	13,869,356	36,261,108	17,932,730	561,480	18,494,210	17,766,898	10%
Plant and machinery	2,991,194,116	178,764,415	3,169,958,531	1,089,737,287	194,037,486	1,283,774,773	1,886,183,758	10%
Electric installation	75,947,691	2,212,380	78,160,071	43,446,424	3,268,563	46,714,987	31,445,084	10%
Factory equipment	9,238,518	1,960,133	11,198,651	4,656,618	621,535	5,278,153	5,920,498	10%
Furniture and fixture	7,319,198	386,973	7,706,171	4,568,111	298,490	4,866,601	2,839,570	10%
Office equipment	9,479,049	222,960	9,702,009	5,369,292	423,223	5,792,515	3,909,494	10%
Arms and ammunition	328,774	-	328,774	179,396	14,938	194,334	134,440	10%
Vehicles	57,542,711	11,481,362	68,994,073	21,827,065	7,633,566	24,443,309	34,896,854	20%
		(9,683,910)			(5,017,322)			
	3,586,746,451	210,716,653	3,787,779,194	1,358,196,960	225,516,131	1,578,695,769	2,209,083,425	
		(9,683,910)			(5,017,322)			

13.1.1 Operating fixed assets - as at June 30, 2017

Description	----- COST / REVALUED AMOUNT -----			----- DEPRECIATION -----			Net book value as at June 30, 2017	Annual rate of depreciation
	As at July 01, 2016	Additions / revaluation / (disposals)	As at June 30, 2017	As at July 01, 2016	For the year / (on disposals)	As at June 30, 2017		
Owned								
Freehold land (note 14.1.5)	57,772,000	-	57,772,000	-	-	-	57,772,000	-
Buildings on freehold land								
- Factory	226,416,554	17,422,317	243,838,871	108,502,344	12,225,809	120,728,153	123,110,718	10%
- Residential	102,494,134	9,199,637	111,693,771	43,549,609	6,202,275	49,751,884	61,941,887	10%
Buildings on leasehold land	22,391,752	-	22,391,752	17,437,284	495,446	17,932,730	4,459,022	10%
Plant and machinery	2,570,166,417	733,343,329	3,303,509,746	1,176,955,458	154,163,904	1,089,737,287	1,901,456,829	10%
Electric installation	75,947,691	(312,315,630)	44,632,061	39,835,174	(241,382,075)	-	-	10%
Factory equipment	9,238,518	-	9,238,518	4,147,521	3,611,250	43,446,424	32,501,267	10%
Furniture and fixture	6,810,924	508,274	7,319,198	4,147,521	509,097	4,656,618	4,581,900	10%
Office equipment	8,729,474	749,575	9,479,049	4,965,378	267,890	4,568,111	2,751,087	10%
Arms and ammunition	328,774	-	328,774	162,799	16,597	179,396	149,378	10%
Vehicles	55,271,180	20,378,224	75,649,404	25,501,812	6,256,208	21,827,065	35,715,646	20%
		(18,106,693)			(9,930,955)			
	3,135,567,418	781,601,356	3,917,168,774	1,425,357,600	184,162,390	1,358,196,960	2,228,549,491	
		(330,422,323)			(251,313,030)			

## 13.1.2 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(Loss)	Mode of disposal	Particulars of buyer
Vehicles							
LE-13-4522 Honda City	1,694,805	1,079,615	615,190	1,027,000	411,810	Negotiations	Muhammad Asim Mumtaz
LEA-14-1965 Suzuki Cultus	1,113,760	580,898	532,862	625,000	92,138	Negotiations	Khurram Ayub
LEA-13-2349 Suzuki Cultus	1,118,655	601,906	516,749	751,000	234,251	Negotiations	Irfan Ahmed
LEA-14-2469 Suzuki Swift	1,316,550	708,386	608,164	890,000	281,836	Negotiations	Sohail Adnan
LEA-14-2468 Suzuki Swift	1,316,550	719,246	597,304	860,000	262,696	Negotiations	Syed Shafaat Gillani
LE-3218 Honda City	1,551,475	1,057,101	494,374	1,262,000	767,626	Negotiations	Awais Ali Khan
LEH-17-7031 Suzuki Swift	1,500,540	225,081	1,275,459	1,400,000	124,541	Negotiations	Muhammad Mohsin Mumtaz
LEL-13B-1533 Motor cycle CD-70	71,575	45,089	26,486	26,000	(486)	Negotiations	Syed Shahmaz-ul-Hassan
	<b>9,683,910</b>	<b>5,017,322</b>	<b>4,666,588</b>	<b>6,841,000</b>	<b>2,174,412</b>		
<b>2018</b>							
	<b>330,422,323</b>	<b>251,313,030</b>	<b>79,109,293</b>	<b>72,159,208</b>	<b>(6,950,085)</b>		
<b>2017</b>							

13.1.3 Disposal of property, plant and equipment has been made to third parties on arm length basis.

	Note	2018 Rupees	2017 Rupees
<b>13.1.4</b>	The depreciation charge for the year has been allocated as follows:		
Cost of sales	26	217,145,917	177,207,788
Administrative expenses	28	8,370,214	6,944,602
		<u>225,516,131</u>	<u>184,152,390</u>

**13.1.5** The Company follows the revaluation model for its Land. Fair value measurement as at June 30, 2015 was performed by "Hamid Mukhtar & Co (Private) Limited", an independent valuers not connected with the Company as at May 04, 2015. The value of the freehold land is ascertained according to the local market value and the forced sale value of land is Rs. 49.106 million. No revaluation has been conducted in current year.

Details of the Company's assets and information about fair value hierarchy as at June 30, 2018 are as follows:

	Level 1	Level 2	Level 3	Total	2018 Rupees	2017 Rupees
	-----Rupees-----					
Land	-	57,772,000	-	57,772,000		
<b>Total</b>	-	<b>57,772,000</b>	-	<b>57,772,000</b>	<u>2,207,366</u>	<u>2,207,366</u>

Had there been no revaluation, the carrying value of the freehold land would have been

**13.1.6** The effect of change in accounting policy is summarized below

	As previously reported	As restated 2017 Rupees	Restatement
<b>Effect on statement of financial position</b>			
Revaluation surplus on land (shown separately below equity)	55,564,634	-	(55,564,634)
Revaluation surplus on land (shown as part of equity)	-	55,564,634	55,564,634
<b>Effect on statement of changes in equity</b>			
Revaluation surplus on land	-	55,564,634	55,564,634
	As previously reported	As restated 2016 Rupees	Restatement
<b>Effect on statement of financial position</b>			
Revaluation surplus on land (shown separately below equity)	55,564,634	-	(55,564,634)
Revaluation surplus on land (shown as part of equity)	-	55,564,634	55,564,634
<b>Effect on statement of changes in equity</b>			
Revaluation surplus on land	-	55,564,634	55,564,634

This change in accounting policy has no impact on profit or loss, comprehensive income, earning per share or cash flows.

	Note	2018 Rupees	2017 Rupees
<b>13.1.7</b>	<b>Capital work in progress</b>		
Plant and machinery		-	24,336,619
Advances for building on freehold land		-	804,906
		<u>-</u>	<u>25,141,525</u>
As at July 01		25,141,525	31,985,535
Additions		184,227,276	773,682,671
Transfer to property, plant and equipment		(209,368,801)	(780,526,681)
As at June 30		<u>-</u>	<u>25,141,525</u>

	Note	2018 Rupees	2017 Rupees
<b>13.1.8 Intangible assets</b>			
This represents computer software and ERP system.			
<b>Cost</b>			
As at July 01		5,893,472	5,893,472
Additions		-	-
As at June 30		<u>5,893,472</u>	<u>5,893,472</u>
<b>Accumulated amortization</b>			
As at July 01		1,276,919	98,225
Amortization during the year	13.1.9	1,178,694	1,178,694
As at June 30		<u>2,455,613</u>	<u>1,276,919</u>
		<u>3,437,859</u>	<u>4,616,553</u>
<b>13.1.9</b>	The amortization has been charged to administrative expenses.		
<b>14 LONG TERM DEPOSITS</b>			
These include interest free refundable security deposits given to various organizations.			
<b>15 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores, spare parts and loose tools		42,437,056	31,463,429
Sizing material		7,531,029	9,556,551
		<u>49,968,085</u>	<u>41,019,980</u>
<b>16 STOCK-IN-TRADE</b>			
Raw material		203,365,709	128,812,965
		<u>203,365,709</u>	<u>128,812,965</u>
Work-in-process		66,124,675	70,882,274
Finished goods		88,881,054	186,253,433
		<u>358,371,438</u>	<u>385,948,672</u>
<b>17 TRADE DEBTS</b>			
<b>Considered good:</b>			
Local - unsecured		272,660,515	189,105,287
Foreign - secured	17.1	440,386,320	443,339,447
		<u>713,046,835</u>	<u>632,444,734</u>
<b>17.1</b>	Following are the details of debtors in relation to export sales.		
<b>Jurisdiction</b>	<b>Category</b>		
Asia	Letter of credit	374,409,408	360,351,491
Europe	Letter of credit	65,976,912	57,661,503
North America	Letter of credit	-	25,326,453
		<u>440,386,320</u>	<u>443,339,447</u>
<b>18 ADVANCES</b>			
Suppliers - unsecured		29,091,641	33,630,599
Staff - secured	18.1	5,932,942	6,513,282
Letters of credit	18.2	2,241,497	18,254,237
		<u>37,266,080</u>	<u>58,398,118</u>
<b>18.1</b>	These are interest free advances to employees, other than executives, repayable within one to six months.		
<b>18.2</b>	These include advances paid in respect of letters of credit for spare parts and raw material.		
<b>19 SHORT TERM PREPAYMENTS</b>			
Prepaid insurance		1,327,041	1,312,556
Prepaid rent		221,834	231,918
Prepaid guarantee commission		240,973	230,083
		<u>1,789,848</u>	<u>1,774,557</u>

	Note	2018 Rupees	2017 Rupees
<b>20 OTHER RECEIVABLES</b>			
Export rebate receivable		36,245,140	38,702,922
Sundry receivables		73,972	-
		<u>36,319,112</u>	<u>38,702,922</u>
<b>21 SALES TAX REFUNDABLE</b>			
This represents accumulated differences of input tax on purchases and output tax payable.			
<b>22 SHORT TERM INVESTMENTS</b>			
<b>Available for sale - at fair value:</b>			
Equity investments	22.3	425,477,427	521,505,484
Mutual funds		25,809,712	27,644,092
		<u>451,287,139</u>	<u>549,149,576</u>
<b>22.1 Reconciliation between fair value and cost of investment classified as 'available for sale'</b>			
Fair value of investments			
- in listed equity securities		425,477,427	521,505,484
- in mutual funds		25,809,712	27,644,092
		<u>451,287,139</u>	<u>549,149,576</u>
Unrealized gain / (loss) on reameasurment of investments	22.2	5,795,796	(8,067,254)
Transfer of unrealized loss due to impairment of investment classified as available for sale		(23,753,981)	-
		<u>(17,958,185)</u>	<u>(8,067,254)</u>
Cost of investment		<u>469,245,324</u>	<u>557,216,830</u>
<b>22.2 Unrealised gain / (loss) on revaluation of avialable for sale investments</b>			
Opening balance		(8,067,254)	580,505
Charge for period		(7,442,016)	(8,647,759)
Transfer of realized loss to profit or loss		1,114,182	-
Transfer of unrealized loss due to impairment of investment classified as available for sale		23,753,981	-
Related tax impact		(3,563,097)	-
		<u>13,863,050</u>	<u>(8,647,759)</u>
<b>Closing balance</b>		<u>5,795,796</u>	<u>(8,067,254)</u>
<b>22.3</b>			
Equity investments include investments with market value of Rs. 111.376 million (2017: 141.593 million) held in Specially Managed Accounts maintained with and managed by NAFA.			
<b>23 ADVANCE INCOME TAX - NET</b>			
Balance at beginning of the year		157,554,473	127,896,255
Paid during the year		27,749,110	29,658,218
		<u>185,303,583</u>	<u>157,554,473</u>
Provision for taxation - net	32	(43,068,936)	-
Balance at end of the year		<u>142,234,647</u>	<u>157,554,473</u>
<b>24 CASH AND BANK BALANCES</b>			
Cash in hand		610,849	1,421,445
Cash at banks;			
- Current accounts	24.1	167,101,659	13,831,833
		<u>167,712,508</u>	<u>15,253,278</u>
<b>24.1</b>			
Cash at banks include current accounts in local currency amounted to Rs. 164.183 million (2017: Rs. 12.456 million) and foreign currency amounted to Rs. 2.918 million (2017: Rs. 1.375 million)			



25 SALES - NET	Local	Export	2018		2017
			Total	Total	
----- Rupees -----					
Cloth	4,532,837,540	1,560,520,300	6,093,357,840		5,736,758,910
Yarn	2,072,024	-	2,072,024		33,577
Waste	85,429,390	-	85,429,390		39,309,868
	4,620,338,954	1,560,520,300	6,180,859,254		5,776,102,355
Less : Sales tax	-	-	-		-
Waste	(1,731,710)	-	(1,731,710)		(994,892)
Add: Export rebate	-	33,303,497	33,303,497		45,055,738
	<u>4,618,607,244</u>	<u>1,593,823,797</u>	<u>6,212,431,041</u>		<u>5,820,163,201</u>
<b>26 COST OF SALES</b>		<b>Note</b>	<b>2018</b>		<b>2017</b>
			<b>Rupees</b>		<b>Rupees</b>
Raw material consumed		26.1	4,402,517,721		4,398,028,740
Fuel and power			544,360,182		448,907,799
Salaries, wages and benefits		26.2	366,621,812		329,442,371
Stores and spares consumed			55,068,022		78,626,298
Sizing material consumed			117,486,887		114,517,414
Depreciation		13.1.4	217,145,917		177,207,788
Packing material consumed			25,016,952		23,419,184
Insurance			8,750,629		8,511,146
Repairs and maintenance			3,333,915		1,778,469
Electricity duty			-		3,328,858
Vehicles running and maintenance			5,369,220		4,810,118
Traveling and conveyance			661,819		563,477
Lease rentals-land		26.3	342,834		302,496
Entertainment			1,220,898		1,072,225
Fee and subscription			255,941		560,883
Others			5,669,855		4,016,650
			<u>5,753,822,604</u>		<u>5,595,093,916</u>
Work-in-process:					
At beginning of the year			70,882,274		67,448,521
At end of the year		16	(66,124,675)		(70,882,274)
			<u>4,757,599</u>		<u>(3,433,753)</u>
Cost of goods manufactured			<u>5,758,580,203</u>		<u>5,591,660,163</u>
Finished goods:					
At beginning of the year			186,253,433		111,350,052
Purchased during the year			926,925		227,876
At end of the year		16	(88,881,054)		(186,253,433)
			<u>98,299,304</u>		<u>(74,675,505)</u>
			<u>5,856,879,507</u>		<u>5,516,984,658</u>
<b>26.1 Raw material consumed</b>					
At beginning of the year			128,812,965		118,363,834
Purchases - net			4,477,070,465		4,408,477,871
			<u>4,605,883,430</u>		<u>4,526,841,705</u>
At end of the year		16	(203,365,709)		(128,812,965)
			<u>4,402,517,721</u>		<u>4,398,028,740</u>

26.2 Staff salaries, wages and benefits include employee retirement benefits amounting to Rs. 22.748 million (2017: Rs. 15.003 million).

26.3 The Company has obtained land under operating lease arrangement from Nagina Cotton Mills Limited, (a related party) for two years starting from March 01, 2017 and ending on February 28, 2019 against annual rental of Rs. 342,834 (2017: 302,496).

27 DISTRIBUTION COST	Note	2018 Rupees	2017 Rupees
<b>Export</b>			
Ocean freight and forwarding		9,437,701	14,753,807
Transportation and octroi		5,044,694	6,525,116
Export development surcharge		3,912,509	4,993,502
Commission		15,928,577	25,083,193
Travelling expenses foreign		5,264,723	5,797,969
Others		9,294,268	7,584,388
		<b>48,882,472</b>	<b>64,737,975</b>
<b>Local</b>			
Freight, handling and transportation		2,651,030	2,609,347
Commission		26,195,352	25,123,213
Others		931,738	276,643
		<b>29,778,120</b>	<b>28,009,203</b>
		<b>78,660,592</b>	<b>92,747,178</b>
<b>28 ADMINISTRATIVE EXPENSES</b>			
Staff salaries and benefits	28.1	45,443,259	42,009,147
Directors' remuneration		7,547,932	6,549,867
Vehicles running and maintenance		5,357,127	3,682,836
Depreciation	13.1.4	8,370,214	6,944,602
Amortization	13.1.9	1,178,694	1,178,694
Insurance		3,280,532	2,744,034
Telephone, telex and postage		1,212,783	1,150,469
Electricity		3,402,576	2,636,287
Fee and subscription		2,095,812	2,150,592
Auditors' remuneration	28.2	1,355,000	1,285,000
Printing and stationery		873,819	1,009,726
Legal and professional charges		2,662,563	1,641,939
Lease rentals	28.3	831,600	756,000
Repairs and maintenance		18,605	58,222
Directors' meeting fee		420,000	420,000
Advertising		96,078	154,394
Others		410,231	709,282
		<b>84,556,825</b>	<b>75,081,091</b>
<b>28.1</b> Staff salaries and benefits include employee retirement benefits amounting to Rs. 3.607 million (2017: Rs. 6,206 million).			
<b>28.2 Auditors' remuneration</b>			
Annual statutory audit		1,000,000	1,000,000
Half yearly review		220,000	125,000
Review report on Code of Corporate Governance		85,000	85,000
Out of pocket expenses		50,000	75,000
		<b>1,355,000</b>	<b>1,285,000</b>
<b>28.3</b> The Company has obtained an office space from Nagina Cotton Mills (a related party) against rental of Rs. 831,600 per annum, payable quarterly.			
<b>29 OTHER OPERATING EXPENSES</b>			
Workers' Profit Participation Fund	9.1	2,937,521	2,974,071
Workers' Welfare Fund		1,116,258	-
Donations	29.1	1,750,000	600,000
Exchange loss	29.2	7,568,820	1,528,238
Loss on forward contracts		762,479	-
Loss on sale of property, plant and equipment		-	6,950,085
NAFA fund charges		1,554,831	880,172
Loss on sale of short term investments		1,114,182	-
Impairment loss on short term investments		23,753,981	-
		<b>40,558,072</b>	<b>12,932,566</b>

- 29.1 Donation of Rs.1 million has been given to Saleem Memorial Trust Hospital. No director or his spouse had any interest in the donees.
- 29.2 This represents exchange loss on US (\$) loans obtained under short term financing.

30 OTHER INCOME	Note	2018 Rupees	2017 Rupees
Gain on sale of short term investments		-	1,530,648
Profit on TDR		-	45,082
Dividend income	30.1	30,538,052	18,106,153
Gain on forward contracts		-	682,808
Workers' Welfare Fund	30.2	-	17,637,907
Foreign exchange gain on debtors		14,649,295	-
Gain on sale of asset	13.1.2	2,174,412	-
		<u>47,361,759</u>	<u>38,002,598</u>

- 30.1 Dividend income includes dividend amounted to Rs. 6.109 million (2017:1.696 million) on equity investments held in Specially Managed Accounts maintained with NAFA.
- 30.2 Through Finance Act, 2008 an amendment was made in section 4(5) of the Workers' Welfare Fund Ordinance 1971 (WWF Ordinance) whereby WWF liability was made applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return. In the year 2011, the Lahore High Court struck down the aforementioned amendments to the WWF Ordinance. The Supreme Court has declared the changes made in WWF Ordinance through Finance Act 2008 as ultra vires and void abinitio. The amount represents reversal of excess provisioning made on the basis of accounting profit from year 2011 till 2016.

31 FINANCE COST	Note	2018 Rupees	2017 Rupees
Mark-up on:			
Long term finances from banking companies		80,633,214	81,761,742
Short term borrowings		54,749,922	11,738,033
Workers' Profit Participation Fund		234,666	297,219
		135,617,802	93,796,994
Bank charges and commission		8,823,365	8,127,040
		<u>144,441,167</u>	<u>101,924,034</u>
32 PROVISION FOR TAXATION			
Current		43,068,936	-
Prior		-	-
		43,068,936	-
Deferred	8.1	(43,068,936)	2,298,726
		<u>-</u>	<u>2,298,726</u>

- 32.1 Management is of view that the income tax provision for the year is sufficient to discharge the tax liability. Comparison of tax provision as per accounts viz a viz tax assessment for last three years is as follows:

Tax year	As per income tax assessment	As per Accounts
	Income / (Expense)	
	-----Rupees-----	
2014-15	-	-
2015-16	(5,975,012)	(6,290,770)
2016-17	-	-

32.2 Numerical reconciliation between the average effective tax rate and applicable tax rate	2018	2017
	----- % -----	
Applicable tax rate	30.00	31.00
Tax effects of amounts that are:		
Effect of change in rate and local sales ratio	59.10	(3.00)
Effect of tax paid on NTR admissible, inadmissible	-	3.00
Effect of temporary difference and tax credits	-	(32.00)
Effect of income chargeable at different tax rates	-	5.00
Recognition of previously unrecognized tax credits	(32.30)	-
Recognition of previously unrecognized tax losses	(56.80)	-
Average effective tax rate	<u>-</u>	<u>4.00</u>

**32.3** The income tax assessments of the Company upto and including tax year 2017 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Income Tax Ordinance, 2001 ('Ordinance'), except for the amendments and other proceedings mentioned below:

**32.4 Tax year 2008**

The Additional Commissioner Inland Revenue ('ACIR') initiated proceedings under section 122(5A) of the Ordinance through notice dated January 9, 2014 wherein intentions were shown to amend the assessment under section 120 of the Ordinance on the basis of certain issues stated therein. The proceedings were finalized through order dated March 31, 2014 where the ACIR accepted Company's contentions on all issues except for the issue of 'allocation of expenses', mark-up on loans from directors and allocation of interest on swap transactions. The ACIR did not raise any demand in view of available prior year refunds. However the Company filed an appeal with the Commissioner Inland Revenue (Appeals) ['CIR(A)'] against the order and the appeal was decided in favor of the Company on the grounds of time limitation, through the appellate order dated October 30, 2014. The department has appealed against the aforementioned order with the Appellate Tribunal Inland Revenue, however due to the order of the Honorable Supreme Court in the matter of Civil Petition no. 1306 of 2014, the Company's stance stands vindicated, and accordingly management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision for such demands has been made in these financial statements.

**32.5 For tax year 2003**

The Company's case was selected for audit by the department for tax year 2003 in terms of section 177 of the Income Tax Ordinance ('Ordinance') vide letter dated November 13, 2006. The audit proceedings concluded by the department through order dated September 29, 2008 passed under section 122(1)/122(5) of the Ordinance, raising a tax demand of Rs. 13.543 million by making certain disallowances / additions out of the profit and loss account. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) ['CIR(A)'] against this order. However, the CIR(A), through order, dated June 13, 2009 partially allowed relief to the Company. Both the Company and the department filed appeals before the Appellate Tribunal Inland Revenue ('ATIR').

The department has, however, given the effect of the above referred appellate order through order dated September 30, 2009, reducing the impugned demand to Rs. 5.388 million. Management is of the view that there are meritorious grounds available to defend the foregoing demands, consequently no provision for such demands has been made in these financial statements.

**32.6 For Transitional tax year 2005**

The deemed assessment was amended by the Additional Commissioner Inland Revenue, Audit Division - A, Large Taxpayers Unit, Lahore, through order dated May 3, 2011, under section 122(5A) of the Ordinance. As a result, the taxable income was determined at Rs. 3.347 million and tax payable at Rs. 1.174 million. The tax demand raised through the aforementioned order has been adjusted by the department against tax refund available from tax year 2007 through adjustment memo dated July 14, 2011.

The Company has filed an appeal against the above referred order before CIR(A) which is pending for adjudication. The management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision for such demands has been made in these financial statements.

**33 EARNINGS PER SHARE - BASIC AND DILUTED** 2018 2017

The calculation of the basic earnings per share is based on the following data:

Profit after taxation for the year - (Rupees)	54,696,637	56,197,546
Number of shares outstanding	18,480,000	18,480,000
Earnings per share - Basic - (Rupees)	2.96	3.04

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

**34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	2018			2017		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	Rupees			Rupees		
Remuneration	4,576,648	6,864,972	4,576,000	3,979,696	5,969,544	3,850,000
Utilities	-	682,960	-	-	580,323	-
Gratuity	866,808	-	846,904	594,725	-	1,137,534
Other allowances	2,288,324	-	2,288,000	1,989,848	-	1,925,000
	<b>7,731,780</b>	<b>7,547,932</b>	<b>7,710,904</b>	6,564,269	6,549,867	6,912,534
Number of persons	<b>1</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>3</b>

**34.1** In addition to above, the Directors have been provided with Company maintained cars.

**34.2** In addition to above, 2 (2017: 2) Non Executive directors were paid aggregate meeting fee of Rs. 420,000 (2017: Rs.420,000).

**34.3** Due to change in definition of "executives" in fourth schedule of Companies Act, 2017, comparative figures have been changed.

**35 DIVIDEND**

In respect of current year, the board of directors proposed to pay cash dividend @ Rs.2/= (2017: Rs. 2) per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

**36 CASH GENERATED FROM OPERATIONS**

	2018 Rupees	2017 Rupees
Profit before taxation	54,696,637	58,496,272
Adjustments for:		
Depreciation on property, plant and equipment	225,516,131	184,152,390
Amortization of intangible assets	1,178,694	1,178,694
Provision for employee benefits	26,356,003	21,209,533
Dividend income	(30,538,052)	(18,106,153)
(Gain) / loss on disposal of property, plant and equipment	(2,174,412)	6,950,085
Loss / (gain) on sale of short term investments	1,114,182	(1,530,648)
Impairment loss on short term investments	23,753,981	-
Finance cost	144,441,167	101,924,034
	<b>389,647,694</b>	<b>295,777,935</b>
	<b>444,344,331</b>	<b>354,274,207</b>
Changes in working capital		
(Increase) / decrease in:		
Stores, spare parts and loose tools	(8,948,105)	6,461,722
Stock-in-trade	27,577,234	(88,786,265)
Trade debts	(80,602,101)	(349,377,112)
Advances	21,132,038	(7,851,983)
Short-term prepayments	(15,291)	5,817,108
Other receivables	2,383,810	(37,033,833)
Sales tax refundable	91,351,516	(20,839,405)
	<b>52,879,101</b>	<b>(491,609,768)</b>
(Decrease) / Increase in:		
Trade and other payables	(15,941,066)	112,835,145
Cash generated from / (used in) operations	<b>481,282,366</b>	<b>(24,500,416)</b>

**37 FINANCIAL RISK MANAGEMENT**

Credit risk  
Liquidity risk  
Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

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

**37.1 Credit risk and concentration of credit risk**

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

The Company is exposed to credit risk from its operating activities primarily for local trade debts, sundry receivables and other financial assets.

The Company does not hold collateral as security.

The Company's credit risk exposures are categorized under the following headings:

### 37.1.1 Counterparties

The Company conducts the following major types of the transactions with the counterparties:

#### Trade debts

Trade debts are essentially due from local customers against sale of cloth and from foreign customers against supply of cloth and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit evaluation. Outstanding customer receivables are regularly monitored and any shipments to foreign customers are generally covered by letters of credit or other form of security.

#### Banks and investments

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a good credit rating. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations. The names and credit ratings of major banks, where the Company maintains bank balances as at June 30, 2018 are as follows:

Bank Name	Rating Agency	Credit Rating	
		Short Term	Long Term
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA+
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
Habib Bank Limited	JCR-VIS	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA
National Bank of Pakistan	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AAA
Samba Bank Limited	JCR-VIS	A-1	AA
The Bank of Punjab	PACRA	A1+	AA
MCB Bank Limited	PACRA	A1+	AAA

### 37.1.2 Exposure to credit risk

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

	Note	2018 Rupees	2017 Rupees
Long term deposits	14	15,039,000	15,039,000
Trade debts	17	713,046,835	632,444,734
Advances	18	8,174,439	6,513,282
Bank balances	24	167,712,508	13,831,833
Short term investments	22	451,287,139	549,149,576
		<u>1,355,259,921</u>	<u>1,216,978,425</u>

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date by type of customer was:

Cloth	<u>713,046,835</u>	<u>632,444,734</u>
-------	--------------------	--------------------

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

The maximum exposure to credit risk for trade debts at the reporting date by type of product was:

Textile	<u>713,046,835</u>	<u>632,444,734</u>
---------	--------------------	--------------------

#### Ageing analysis of trade debts subject to credit risk

1 to 90 days	44,051,627	189,105,287
91 to 180 days	-	-
180 days and above	-	-
	<u>44,051,627</u>	<u>189,105,287</u>

### 37.1.3 Impairment losses

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

### 37.2 Liquidity risk management

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

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

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

Included in note 11.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

### 37.2.1 Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay.

Fair values of all other financial assets and liabilities approximate their fair values.

For effective markup rate please see note 6.2, 11.2 and note 11.3 to these financial statements.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

	Carrying amount	
	2018 Rupees	2017 Rupees
<b>Trade and other payables</b>		
Maturity upto one year	388,518,923	405,576,247
<b>Short term borrowings</b>		
Maturity upto one year	1,069,702,487	968,807,297
<b>Long term finances</b>		
Maturity upto one year	207,183,323	201,756,712
Maturity after one year and upto five years	927,941,234	337,591,248
Maturity after five years	564,439,022	1,279,162,176
	<b>3,157,784,989</b>	<b>3,192,893,680</b>

### 37.3 Market risk

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

#### 37.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise;

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

#### - Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

#### - Exposure to foreign currency risk

The Company's net exposure to foreign currency risk was as follows based on notional amounts:

	2018 USD	2017 USD
Short term borrowings	-	(5,887,392)
Trade debts	3,627,564	4,230,338
	<b>3,627,564</b>	<b>(1,657,054)</b>

The following significant exchange rates have been applied:

	Average rate		Reporting date mid spot rate	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
<b>USD 1</b>	<b>110.63</b>	104.75	<b>121.50</b>	104.90

Commitments outstanding at year end amounted to USD .399 million (2017: USD .78 million), CNY 1.809 million (2017: CNY Nil) and JPY 10.240 million (2017: JPY Nil) relating to letter of credits for import of stores, spare parts and raw material.

#### Sensitivity analysis

At June 30 if Rupee had weakened / strengthened by 5% against US dollar with all other variables held constant, the Company's profit for the year would have decreased / increased by Rs. 22.019 million (2017: Rs. 8.691 million) mainly as a result of foreign exchange gains / losses on foreign currency transactions.

**37.3.2 Interest rate risk**

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

**Profile**

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

<u>Fixed rate instruments</u>	2018	2017	2018	2017
	-----%	-----%	----- Rupees	-----
<b>Financial liabilities</b>				
Long term finances	6.50%	6.50%	41,965,245	54,877,625
	6.50%	6.50%	246,093,549	282,551,853
	Nil	6.50%	-	64,823,556
	6.75-7.25%	6.50%	176,057,702	234,743,602
	3.50%	3.50%	170,313,033	187,931,622
	2.50%	2.50%	659,538,284	659,538,284
	2.50%	Nil	30,475,885	-
			<u>1,324,443,698</u>	<u>1,484,466,542</u>
<b>Floating rate instruments</b>	2018	2017	2018	2017
	-----%	-----%	----- Rupees	-----
<b>Financial liabilities</b>				
Long term finances		7.14% to 7.9%	375,119,881	334,043,594
Short term borrowings		1% to 7.42%	1,030,068,055	968,807,297
			<u>1,405,187,936</u>	<u>1,302,850,891</u>

**Fair value sensitivity analysis for fix rate instruments**

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

**Fair value sensitivity analysis for floating rate instruments**

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on finance cost).

	Increase / (decrease) in basis points	Decrease / (increase) of profit
	Points	Rupees
2018	+ (-) 200	1,134,841
2017		700,831

**37.3.3 Equity price risk management**

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the balance sheet date, the exposure to unlisted equity securities at fair value was Rs. Nil.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 451.287 million

**37.3.4 Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk, currency risk or equity price), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

**37.4 Determination of fair values****Fair value of financial instruments**

Fair value as 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.

The financial instrument, if any, that are not traded in active market are carried at cost and are tested for impairment according to IAS 39.

The carrying amount less impairment provision, if any, of trade receivables and payables and financial liabilities are assumed to approximate to their fair values.

**37.5 Fair value hierarchy**

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).



Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Following table presents the Funds / Company's financial assets which are carried at fair value:

June 30, 2018			
Level 1	Level 2	Level 3	Total
Rs			
<b>Financial assets - at fair value</b>			
<b>Available for sale</b>			
Equity Investments	425,477,427	-	425,477,427
Mutual funds	-	25,809,712	25,809,712
	<u>425,477,427</u>	<u>25,809,712</u>	<u>451,287,139</u>
June 30, 2017			
Level 1	Level 2	Level 3	Total
Rs			
<b>Financial assets - at fair value</b>			
<b>Available for sale</b>			
Equity Investments	521,505,484	-	521,505,484
NAFA Stock Fund	-	27,644,092	27,644,092
	<u>521,505,484</u>	<u>27,644,092</u>	<u>549,149,576</u>

At 30 June, 2018, the Company holds short term investments where the company has used Level 1 inputs for the measurement of fair values and there is no transfer between levels.

### 37.6 CAPITAL RISK MANAGEMENT

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

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

	2018 Rupees	2017 Rupees
Total borrowings	2,729,631,634	2,787,317,433
Cash and bank balance	<u>(167,712,508)</u>	<u>(15,253,278)</u>
Net debt	2,561,919,126	2,772,064,155
Total equity	1,001,076,612	968,175,978
Total capital	<u>3,562,995,738</u>	<u>3,740,240,133</u>
Gearing ratio	71.90%	74.11%

### 38 TRANSACTIONS WITH RELATED PARTIES

Related parties from the Company's perspective comprise, associated undertakings, key management personnel (including chief executive and directors), their close family members and post retirement benefit plans. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out on permissible basis and agreed terms.

Amounts due from and to related parties are shown under receivables and payables, if any, and remuneration of directors and key management personnel is disclosed in note 34.

Other significant transactions with related parties are as follows:

Nature of relation	Nature of transactions	2018 Rupees	2017 Rupees
Associated company	Purchase of goods and services	783,527,872	748,140,472
	Sale of goods and services	22,419,375	196,927
	Dividend paid	11,158,566	9,763,745
	Rent expense	1,164,350	1,088,750
Key management personnel	Payment of dividend to directors and their close family members	21,218,126	18,565,860

### 38.1 Following are the related parties with whom the Company had entered into transaction or have arrangements / agreement in place.

Name of related party	Basis of relationship	Aggregate % of Shareholding in the Company
Ellahi International Private Limited	Common Director	20%
ARH (Private) Limited	Common Director	9%
Monell (Private) Limited	Common Director	0.28%
ICARO (Private) Limited	Common Director	0.28%
Haroon Omer (Private) Limited	Common Director	0.28%

Name of related party	Basis of relationship	Aggregate % of Shareholding in the Company
Nagina cotton mills limited	Common Director	N/A
Elcot spinning mills limited	Common Director	N/A
Mr. Shahzada Ellahi Shaikh	Key management personnel	11%
Mr. Shaukat Ellahi Shaikh	Key management personnel	12%
Mr. Shafqat Ellahi Shaikh	Key management personnel	11%
Mr. Haroon Shahzada Ellahi Shaikh	Key management personnel	4%
Mr. Tariq Zafar Bajwa	Key management personnel	0.03%
Mr. Amin Ellahi Shaikh	Key management personnel	8%
Mr. Hasan Ahmed	Key management personnel	0.03%
Mr. Javaid Bashir Sheikh	Key management personnel	0.03%
Mr. Raza Ellahi Shaikh	Key management personnel	8%
Mr. Omer Ellahi Shaikh	Key management personnel	4%
Mrs. Hummera Shahzada	Close family members of key management	0.02%
Mrs. Mona Shaukat	Close family members of key management	0.02%
Mrs. Shaista Shafqat	Close family members of key management	0.02%
Mrs. Mehreen Saadat	Close family members of key management	0.10%

**39 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Opening Rupees	Cash inflows Rupees	Cash outflows Rupees	Closing Rupees
Long term finances	1,818,510,136	127,688,000	(246,634,557)	1,699,563,579
Short term borrowings	968,807,297	1,647,493,193	(1,586,232,435)	1,030,068,055
	<b>2,787,317,433</b>	<b>1,775,181,193</b>	<b>(1,832,866,992)</b>	<b>2,729,631,634</b>

**40 PLANT CAPACITY AND ACTUAL PRODUCTION**

	2018	2017
Air Jet Looms installed	324	324
Installed capacity at 50 Picks (meters)	68,695,131	61,297,951
Actual production (meters)	49,598,951	48,527,789
Actual production after conversion into 50 Picks (meters)	69,475,378	64,901,475

The difference between installed capacity and actual production is in normal course of business.

**41 NUMBER OF EMPLOYEES**

	At year end		Average	
	2018	2017	2018	2017
Head office	49	50	48	44
Plant	1,139	1,159	1,154	1,107
Total number of employees	<b>1,188</b>	<b>1,209</b>	<b>1,202</b>	<b>1,151</b>

**42 CORRESPONDING FIGURES**

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 due to Companies Act, 2017 together with other changes have been made during the year:

Reclassified from	Reclassified to	Reason	Rupees
Trade and other payables	Unclaimed dividend (Presented on face of statement of financial position)	Companies Act, 2017	4,574,516

**43 DATE OF AUTHORISATION FOR ISSUE**

These financial statements have been approved by the board of directors of the Company and authorized for issue on September 28, 2018.

**44 GENERAL**

The figures have been rounded off to the nearest Rupee.



Raza Ellahi Shaikh

Mg. Director (Chief Executive)



Muhammad Tariq Sheikh

Chief Financial Officer



Shahzada Ellahi Shaikh

Chairman

Lahore: September 27, 2018

**Be aware, Be alert, Be safe**  
 Learn about investing at [www.jamapunjipk.com](http://www.jamapunjipk.com)

**Key Features:**

- 1. **Learned Online Verification** via Smartphone
- 2. **Advanced search**
- 3. **Transaction calculator**
- 4. **Company verification**
- 5. **Insurance & Investment Overview** of FICG Approved
- 6. **Real-time market** (2018-2019, 2019-2020)
- 7. **Knowledge center**
- 8. **Real profile**
- 9. **Financial calculator**
- 10. **Subscription to Alerts** (email, WhatsApp, Telegram, etc.)
- 11. **Company verification for** [www.jamapunjipk.com](http://www.jamapunjipk.com)
- 12. **More services**

[www.jamapunjipk.com](http://www.jamapunjipk.com) [www.jamapunjipk.com](http://www.jamapunjipk.com)

© 2018 Jama Punji. All rights reserved. Terms & Conditions apply.



**FORM OF PROXY**

The Secretary,  
**PROSPERITY WEAVING MILLS LTD.**  
 Nagina House  
 91-B-1, M.M. Alam Road,  
 Gulberg-III,  
 Lahore-54660.

I/We \_\_\_\_\_ of \_\_\_\_\_ being member(s) of **PROSPERITY WEAVING MILLS LTD.**, and holder of \_\_\_\_\_ Ordinary Shares as per Share Register Folio No. \_\_\_\_\_ (In case of Central Depository System Account Holder A/c No. \_\_\_\_\_ Participant I.D. No. \_\_\_\_\_) hereby appoint \_\_\_\_\_ of \_\_\_\_\_ who is member of the Company as per Register Folio No. \_\_\_\_\_ (In case of Central Depository System Account Holder A/c No. \_\_\_\_\_ Participant I.D. No. \_\_\_\_\_) or failing him/her \_\_\_\_\_ of \_\_\_\_\_ who is member of the Company as per Register Folio No. \_\_\_\_\_ (In case of Central Depository System Account Holder A/c No. \_\_\_\_\_ Participant I.D. No. \_\_\_\_\_) as my/our proxy to vote for me/us and on my/our behalf at the 27th Annual General Meeting of the Company to be held on October 26, 2018 and at any adjournment thereof.

affix  
 Rs. 5/=  
 Revenue  
 Stamp

(Signature should agree with the Specimen signature registered with the Company)

Signed at \_\_\_\_\_ this the \_\_\_\_\_ day of \_\_\_\_\_ 2018.

**NOTES:**

1. If a member is unable to attend the meeting, he/she may sign this form and send it to the Secretary so as to reach him not less than 48 hours before the time of holding the meeting.
2. Members through CDC appointing proxies must attach attested copy of their Computerized National Identity Card (CNIC) with the proxy form.
3. The Shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original Computerized Identity Card with copy thereof duly attested by their Bankers, Account Number and Participant I.D Number for identification purpose.
4. In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

پراکسی ذرم (مختار نامہ)

سیکرٹری

پراسپیریٹی ویونگ ملز لمیٹڈ

گھینڈ ہاؤس، 91-B، ایم ایم، لم روڈ

گلبرگ III، لاہور 54660

میں ام

ساکن

بیشیت دکن پراسپیریٹی ویونگ ملز لمیٹڈ اور حاس \_\_\_\_\_ عام حصص بمطابق شیئر رجسٹر فلیو نمبر \_\_\_\_\_  
(بصورت سنٹرل ڈیپازری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_ پارٹنیشن (شرکت) آئی ڈی نمبر \_\_\_\_\_)

بذریعہ ذہا

محترم/محترمہ \_\_\_\_\_ ساکن \_\_\_\_\_

جو کہنی کا نمبر ہے بمطابق شیئر رجسٹر فلیو نمبر \_\_\_\_\_

(بصورت سنٹرل ڈیپازری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_ پارٹنیشن (شرکت) آئی ڈی نمبر \_\_\_\_\_)

یا اسکی غیر موجودگی میں محترم/محترمہ \_\_\_\_\_ ساکن \_\_\_\_\_

جو کہنی کا نمبر ہے بمطابق شیئر رجسٹر فلیو نمبر \_\_\_\_\_

(بصورت سنٹرل ڈیپازری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_ پارٹنیشن (شرکت) آئی ڈی نمبر \_\_\_\_\_) کو

مورخہ 26 اکتوبر 2018ء کو مستعد ہونے والے کہنی کے 27 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا ہمارا بطور مختار

(پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

دستخط: \_\_\_\_\_ آج بروز ..... تاریخ ..... 2018ء

5 روپے کارسیدی ٹکٹ

چسپاں کریں

دستخط کہنی کے ہاں رجسٹرڈ نمونہ دستخطوں کے

مطابق ہونے چاہئیں

**نوٹ:**

- 1- اگر ایک ممبر اجلاس میں شرکت کے قابل نہیں ہے تو وہ اس فارم پر دستخط کرے اور سیکرٹری کو اس طور ارسال کرے کہ اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل پہنچ جانا چاہئے۔
- 2- سی ڈی سی کے ذریعے حصص یافتگان پراسپیریٹی رجسٹر کرتے ہوئے پراکسی فارم کے ہمراہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق کو پی منسلک کریں۔
- 3- سی ڈی سی کے ذریعے حصص یافتگان جو سالانہ اجلاس میں شرکت کرنا چاہتے ہوں سے التماس ہے کہ شناخت کے مقصد کے لئے اصل کمپیوٹرائزڈ قومی شناختی کارڈ بمعہ اپنے ٹینکڑ سے اسکی تصدیق کا پی، اکاؤنٹ نمبر اور پارٹنیشن آئی ڈی نمبر ہمراہ لائیں۔
- 4- کارپوریٹ اینٹیلیٹی کی صورت میں، بورڈ آف ڈائریکٹری قرار داد/مختار نامہ کی تصدیق کا پی معصومند دستخط (اگر پہلے فراہم نہ کئے گئے ہوں) پراکسی فارم (مختار نامہ) کے ہمراہ کہنی میں جمع کرانا ہو گا۔