



**ISO 9001:2015
CERTIFIED**

**Financial Statements
for the year ended
June 30, 2018**

Shahtaj Textile Limited

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BOARD OF DIRECTORS

Mr. Muneer Nawaz Chairman
Mr. M. Naeem Chief Executive
Mr. Mahmood Nawaz
Mr. Saleem Zamindar (NIT)
Mr. Sohail Habib
Mr. Toqueer Nawaz
Mrs. Sadia Mohammad
Mr. Muhammad Usman Khalid
Lt. Col. (Retd.) R.D. Shams

COMPANY SECRETARY

Mr. Jamil Ahmad Butt, FCMA

AUDIT COMMITTEE OF THE BOARD

Mr. Sohail Habib Chairman
Mr. Muneer Nawaz Member
Mr. Toqueer Nawaz Member
Mr. Muhammad Usman Khalid Member
Mr. Jamil Ahmad Butt, FCMA Secretary

**HUMAN RESOURCE AND
REMUNERATION COMMITTEE OF THE BOARD**

Mr. Saleem Zamindar Chairman
Mr. Muneer Nawaz Member
Mr. M. Naeem Member
Mr. Muhammad Usman Khalid Member
Mr. Jamil Ahmad Butt, FCMA Secretary

AUDITORS

Deloitte Yousuf Adil.
Chartered Accountants.
Cavish Court, A-35, Block 7 & 8 KCHS,
Shahrah-e-Faisal, Karachi 75350.

BANKS

Bank Alfalah Limited
United Bank Limited
Meezan Bank Ltd.
The Bank of Punjab
MCB Bank Limited
Faysal Bank Limited
Habib Bank Limited
National Bank of Pakistan

LEGAL ADVISOR

Mr. Ras Tariq Chaudhary
30-Mall Mansion
The Mall
Lahore.

HEAD OFFICE

Shahnawaz Building, 19-Dockyard Road,
West Wharf, Karachi-74000
Ph: 32313934-8, 32312834, 32310973
Fax: 32205723, 32310623
Website: www.shahtaj.com

REGISTERED OFFICE

27-C Abdalian Co-oporetive
Hosing Society, Lahore,
Ph: (042) 35313891-92, 35301596-99
Fax: (042) 35301594

MARKETING OFFICE

27-C Abdalian Co-oporetive
Hosing Society, Lahore,
Ph: (042) 35313891-92, 35301596-99
Fax: (042) 35301594

FACTORY

46 K.M. Lahore/Multan Road
Chunian Industrial Estate
Bhai Pheru, Distt. Kasur, Punjab.
Ph: (049) 4540430-32, 4540133, 4540234
Fax: (049) 4540031

SHARE REGISTRAR

Jwaffs Registrar Services (Pvt.) Ltd.
Suite # 407,408, 4th Floor, Al-Ameera Centre,
Shahrah-e-Iraq, Near Passport Office,
Saddar Karachi.
Tel: 35662023-24 Fax: 35221192

To,

All the Shareholders,

Notice is hereby given to all the shareholders of SHAHTAJ TEXTILE LIMITED that the 29th Annual General Meeting of the Company will be held on Friday, the 26th October, 2018, at 11:00 AM at PC Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following ordinary business:

1. To confirm the minutes of Extra Ordinary General Meeting held on 27th December, 2017.
2. To consider and adopt audited Financial Statements of the Company for the year ended June 30, 2018 together with

Auditors' and Directors' Reports thereon.

3. To approve a cash Dividend @ 27.50% i.e. Rs.2.75/- per share for the year ended June 30, 2018 as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2018-2019 and to fix their remuneration. The present Auditors M/s. Deloitte Yousuf Adil, Chartered Accountants, being eligible, have offered themselves for reappointment.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board



(JAMIL AHMAD BUTT)
Company Secretary

Karachi: September 27, 2018

Notes:

1. The share transfer books of the Company will remain closed from 19th October, 2018 to 30th October, 2018, (both days inclusive).
2. Members holding shares physically and Holders of Accounts and Sub-accounts for Company's shares in Central Depository Company of Pakistan Limited, who wish to attend this Annual General Meeting may do so by identifying themselves through their original CNIC/Passport and providing a copy thereof.
3. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

5. DEDUCTION OF INCOME TAX

As per the provisions of Section 150 of the Income Tax Ordinance, 2001 ("Ordinance") different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. The Current withholding tax rates are as under:

- | | | |
|-----|--------------------------------------|-----|
| (a) | For Filers of Income Tax Return: | 15% |
| (b) | For Non-Filers of Income Tax Return: | 20% |

All the shareholders whose names are not entered into the Active Tax-payers list (ATL) provided on the website of the Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of dividend, otherwise tax on their Dividend will be deducted @ 20% instead of @ 15%.

The Corporate Shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective Participants, whereas corporate physical shareholders should send a copy of their NTN certificates to the Company or Company's Share Registrar and Share Transfer Agent, M/s. JWAFS REGISTRAR SERVICES (PVT) LIMITED.

The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective Folio Numbers.

As per FBR's clarification, the valid Exemption Certificate under Section 159 of the Ordinance is mandatory to claim exemption of withholding tax under Clause 47B of Part-IV of Second Schedule to the Ordinance. Those who fall in the category mentioned in above Clause must provide valid Tax Exemption Certificate to our Shares Registrar; otherwise tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Ordinance.

For shareholders holding their shares jointly, as per the clarification issued by the FBR, withholding tax will be determined separately on 'Filer / Non-Filer' status of Principal shareholder as well as Joint-holder(s) based on their shareholding proportions. All shareholders who hold shares jointly are therefore requested to provide shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to the Registrar and Shares Transfer Agent in writing as follows:

Folio / CDC Account No.	Total Shares	Principal Shareholder		Joint Shareholder(s)	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

6. ELECTRONIC DIVIDEND MANDATE

Under the provisions of Section 242 of the Companies Act, 2017 it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic made directly in to bank account designated by the entitled shareholders.

In order to receive dividends directly into their bank account, shareholders are requested to provide details of the bank mandate specifying:

- ▶ Title of Account:
- ▶ Account Number:
- ▶ Bank Name
- ▶ Branch Name and Code:
- ▶ IBAN Number:

Please send it duly signed along with a copy of CNIC to the registrar of the Company M/s. JWAFS Registrar Services (PVT) Limited, in case of physical shares.

In case shares are held in CDC then Electronic Mandate Form must be submitted directly to shareholder's broker/participant/CDC account services.

In case of non-receipt of the information the company will be constrained to withhold payment of dividend to such shareholders.

7. CONSENT FOR VIDEO CONFERENCE FACILITY

Members can also avail video conference facility, in this regard, please fill the following and submit to registered address of the Company 7 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 7 days prior to the date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

I/We, _____ of _____, being a member of Shahtaj Textile Limited, holder(s) of _____ ordinary share(s) as per Registered Folio/CDC account No. _____ hereby opt for video conference facility at _____.

OUR VISION:

To attain leadership position in the textile sector in Pakistan.

OUR MISSION:

To make the name of Shahtaj synonymous with Quality by striving for the highest level of efficiency, productivity, profitability, customers satisfaction, congenial employees relations and profit sharing with shareholders.

OVERALL CORPORATE STRATEGY:

To develop and market products in the high-end of the textile sector through effective utilization of men, material and machines by encouraging, supporting and rewarding the employees, eliminating any waste, reducing costs aiming at establishing SHAHTAJ TEXTILE LIMITED as the most trusted, efficient and successful name among all stakeholders.

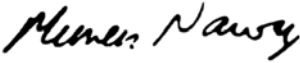
1. The directors will ensure implementation of Company's corporate strategy, keeping in view Company's vision and mission and complying with its Memorandum and Articles of Association.
2. They will provide due guidance and discharge their duties to the best of their ability.
3. They will attend meetings of Board of Directors, Audit Committee of the Board, any other Committee and General Meeting of Company.
4. They will disclose their interest in any contract and appointments of the company officers and ownership of company shares and any changes therein.
5. They will not engage in any business competing with the company's business.
6. They will not allow contribution by the company to any political party or for any political purpose to any individual or body.
7. They will ensure maintenance and upkeep of company property, other assets and its record.
8. They will strictly observe all laws of land in running of the company affairs.
9. All company employees will perform their duties faithfully, truly and to the best of their judgment, skill and ability according to company rules and policies.
10. Company employees will not divulge any information about the company or otherwise which comes to their knowledge during the course of employment to any person not connected therein either within the company or outside.
11. Company employees will not involve in any indiscipline, misbehavior or misconduct, dishonesty, theft or fraud.
12. They will refrain from making commitments on behalf of the company beyond their delegated authority or detrimental to the interest of the company.
13. They will not engage directly or indirectly without the permission of the company in any other business or paid occupation while in the service of the company.
14. They will not give or take bribes or any illegal gratifications.
15. They will be punctual in attendance.

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Shahtaj Textile Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2018, the Board's overall performance and effectiveness has been assessed as satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as satisfactory is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitoring financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board of Directors of your Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The nonexecutive and independent directors are equally involved in important decisions.

Karachi: September 27, 2018


(Muneer Nawaz)
Chairman



شاہ تاج ٹیکسٹائل لمیٹڈ کے بورڈ آف ڈائریکٹرز کا کوڈ آف کارپوریٹ گورننس کے تحت درکار سالانہ جائزہ لیا گیا۔ اس جائزہ کا مقصد اس امر کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کو کمپنی کے مختص کردہ مقاصد کے تناظر میں پرکھا جاسکے۔

مالی سال 30 جون 2018 کے لئے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی گئی۔ بہتری ایک مستقل جاری رہنے والا عمل ہے جس کی مدد سے عملی منصوبہ بندیوں کو ممکن بنایا جاتا ہے۔ مجموعی جائزے کے اطمینان بخش قرار پانے کی بنیاد ضروری اجزاء کے انفرادی جائزے پر ہے جن میں دوراندیشی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسیز کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، مالیاتی وسائل کے انتظام کی نگرانی، موثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور سرگرمیوں کو موثر انداز سے پورا کرنا شامل ہیں۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کو اپنی اور کمیٹیوں کے اجلاسات کے لئے ایجنڈا مع ضروری دستاویزات بروقت موصول ہوتے رہے اسی طرح کاروائی رپورٹس بھی۔ بورڈ اپنی ذمہ داریوں کی موثر طریقے سے انجام دہی کے لئے باقاعدگی سے اجلاس کرتا رہا۔ نان ایگزیکٹو اور آزاد ڈائریکٹرز بھی اہم فیصلوں میں برابر شامل ہوتے رہے۔

Munir Nawaz
منیر شاہنواز

چئیرمین

کراچی مورخہ 27 ستمبر، 2018

Directors are pleased to present the 29th Annual Report of the Company for the Financial Year ended June 30, 2018.

Principal Activity

The principal business of the Company is to manufacture and sale of textile goods.

Financial Results and Prospects

By the grace of Allah operating results of the Company have been positive and Company has earned an after tax profit of Rs.68.1 million with an EPS of Rs 7.05. Overall fabric market continued to remain under stress. However, the profitability was greatly supported by rupee devaluation and export rebate announced by Government of Pakistan for the financial year 2017-18. Net sales increased by 12.19% from corresponding period of last year. This was partly due to increase in unit selling prices in consequence of high yarn prices and exchange rate adjustment and partly due to more sales volume. However, profit margins were not very attractive due to lower fabric demand and higher cost. The major reasons for cost escalation were high yarn prices, energy costs and increase in depreciation due to new plant & machinery installed last year under BMR. This increase in costs dropped gross profit rate by almost 1.8% from last year.

The financial costs also increased significantly mainly because of increase in short term borrowings due to piling up of inventory and rising trade debts and company's shift to more rupee based borrowing instead of cheaper dollar based borrowings on account of anticipated currency devaluation. Trade debts were high because export documents were not discounted to take the benefit of ongoing rupee depreciation.

Other income increased significantly mainly because of exchange gain due to currency devaluation. Tax charge for the year was more due to less tax credit for investment in plant and machinery as compared to last year.

Under Company's BMR program, electrical and other equipment has been installed successfully while the new gas generator and waste heat recovery boiler are under erection. These equipments will be fully operational in current financial year resulting in improved efficiency and saving in running cost.

Management is concerned about cost push factors such as rising RLNG costs and increase in SBP policy rate which will result in rise in financial costs. Further, the Government has also withdrawn export rebate on grey fabric from the financial year 2018-19. Delay in release of sales tax, income tax refunds and export rebate has also attained alarming proportions. Therefore, the outlook for the next financial year is not very encouraging.

However, despite all odds, efforts will be continuing as always for more improvement.

Dividend

To share the profits with the shareholder, Directors are pleased to recommend a 27.50% cash dividend for this year. This payment is 39% of after tax profit of the Company for the year 2017-18. A sum of Rs. 35 million is proposed to be transferred to general reserve.

Code of Corporate Governance

Company is cognizant of all requirements of Code of Corporate Governance and is complying with the same. A Review Report by external auditors on Statement of Compliance is annexed.

Corporate and Financial Reporting Statements

- a. The financial statements, prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of accounts have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

Six Years Review

Key operating and financial data and ratios of the company for the last six years are annexed.

Board and its Committees

The total number and composition of the board along with names of members of board committees is disclosed in annexed statement of compliance.

Directors' Remuneration Policy

The Company does not pay remuneration to non-executive directors except fee for attending the meetings. However, the Company may repay to any director all such reasonable expenses as he/she may incur in attending meetings of the Board or of its committees or the General meeting or which he may otherwise incur in or about the business of the Company.

The remuneration of Chief executive, full time working directors or any other director for performing extra services is determined by the Board in accordance with the provision in the Company's Articles.

The information on remuneration of Directors and CEO during 2017-18 is disclosed in notes to the Financial Statements.

Pattern of Shareholding

The pattern of shareholding as on 30th June, 2018 listing the required details, is annexed.

Auditors

The Audit Committee of the Board has recommended the appointment of present Auditors, M/s. Deloitte Yousuf Adil., Chartered Accountants, as Auditors of the Company for the year 2018-2019. Board agrees to this recommendation.


Appreciation

Directors acknowledge with thanks the hard work put in by all the employees of the Company.

for and on behalf of the Board of Directors

Karachi: September 27, 2018


(M. NAEEM)
Chief Executive


(MUNEER NAWAZ)
Chairman

ڈائریکٹر زمرست کے ساتھ جون 2018 کو ختم ہونے والے مالی سال پر کمپنی کی انتہویں سالانہ رپورٹ پیش کرتے ہیں۔

بنیادی کاروبار:-

کمپنی کا بنیادی کاروبار ٹیکسٹائل مصنوعات کی پیداوار اور فروخت ہے۔

مالی حسابات اور امکانات:-

الحمد للہ دوران کمپنی کے مالیاتی نتائج مثبت رہے اور بعد از ٹیکس منافع 68.1 ملین روپے رہا یعنی 7.05 روپے فی حصہ۔ مجموعی طور پر کمپنی کے بازار میں مندی کی صورت حال رہی۔ مگر روپیہ کی قدر میں کمی اور حکومت پاکستان کی طرف سے مالی سال 2017-18 کے لئے ایکسپورٹ پر اعلان کئے گئے ریپیٹ سے منافع کو تقویت ملی۔ زمر فروخت گزشتہ سال کے مقابلہ میں 12.19 فیصد زائد رہا اس بہتری کی وجوہات میں فروخت کے حجم میں اضافہ اور قیمت فروخت میں اضافہ بوجہ دھاگے کی قیمت اور کرنسی کی شرح تبادلہ میں اضافہ ہے۔ تاہم شرح منافع میں کمی ہوئی جس کی وجہ کمپنی کے طلب میں کمی اور لاگت میں اضافہ ہے۔ لاگت میں اضافہ کی بنیادی وجوہات یارن کی بڑھتی ہوئی قیمت، توانائی کی لاگت میں اضافہ اور گزشتہ سال بی ایم آر کے تحت نئے پلانٹ اور مشینری پر بڑھی ہوئی فرسودگی کے اخراجات شامل ہیں۔ نتیجتاً گزشتہ سال کی نسبت خالص منافع کی شرح میں تقریباً 1.8 فیصد کمی ریکارڈ کی گئی۔

مالیاتی لاگت میں بھی نمایاں زیادتی ہوئی جس کی وجہ بنیادی وجہ مختصر مدت کے قرضہ جات میں اضافہ تھا جس کا سبب انونٹری میں اضافہ اور بڑھتا ہوا کاروباری قرضہ اور کرنسی کی قدر میں متوقع کمی کے پیش نظر کمپنی کا ڈالر میں کم لاگت کے قرضہ کی جگہ روپیہ میں اضافی قرضہ جات کا حصول تھا۔ تجارتی قرض بڑھنے کی وجہ ایکسپورٹ ڈاکو منٹس کا ڈسکاؤنٹ نہ کرانا ہے جس کی وجہ موجودہ کرنسی کی قدر میں کمی سے فائدہ اٹھانا ہے۔

دیگر ذرائع سے حاصل آمدنی میں اضافہ کی نمایاں وجہ کرنسی کے تبادلہ میں آمدنی جو روپیہ کی قدر میں ہونے والی کمی کے باعث تھی۔ گزشتہ سال کے مقابلہ میں اس سال قابل ادا ٹیکس زائد ہے جس کی وجہ گزشتہ سال کی نسبت مشینری اور پلانٹ میں کم سرمایہ کاری کے سبب کم ٹیکس کریڈٹ کا حصول ہے۔

کمپنی کے بی ایم آر پروگرام کے حوالہ سے الیکٹریکل اور دیگر آلات کی تنصیب کامیابی سے مکمل ہو گئی ہے جبکہ نئے گیس جزیئر اور ویسٹ ہیٹ ریکوری بوائلر کی تنصیب کا کام جاری ہے۔ یہ تمام آلات موجودہ مالی سال کے دوران مکمل طور پر آپریشنل ہو جائیں گے جس کے نتیجہ میں کارکردگی میں بہتری اور لاگت میں کچھ کمی واقع ہوگی۔

کمپنی کی انتظامیہ کو آریل این جی کی بڑھتی ہوئی لاگت اور اسٹیٹ بینک آف پاکستان کے پالیسی شرح سود میں اضافہ پر تشویش ہے جس کے نتیجہ میں مالیاتی لاگت بڑھ جائیں گی۔ مزید یہ کہ حکومت پاکستان نے گریڈ فیبرک کی ایکسپورٹ پر دیئے جانے والے ریپیٹ کو مالی سال 2018-19 سے ختم کر دیا ہے۔ سیلز ٹیکس، انکم ٹیکس کی واپسی اور ایکسپورٹ ریپیٹ کی ادائیگی میں مسلسل تاخیر تشویشناک حد تک پہنچ چکی ہے۔ لہذا اگلے مالیاتی سال میں صورت حال حوصلہ افزا نظر نہیں آرہی۔

تاہم کمپنی ہمیشہ کی طرح تمام مشکلات کے باوجود مزید بہتری کے لئے کوشاں رہے گی۔

ڈیویڈنڈ:-

منافع میں حصص داران کو شریک کرنے کی غرض سے، ڈائریکٹر نے اس سال 27.50 فیصد نقد ڈیویڈنڈ کی سفارش کی ہے۔ یہ ادائیگی سال 2017-18 کے منافع بعد از ٹیکس کا 39 فیصد ہے۔ 35 ملین کی رقم جنرل ریزرو میں منتقل کرنے کی تجویز ہے۔

کمپنیوں کو چلانے کا طریقہ کار (کوڈ آف کارپوریٹ گورننس):-

کمپنی ان تمام ضروریات سے آگاہ ہے جو کمپنیوں کو چلانے کے طریق کار (کوڈ آف کارپوریٹ گورننس) میں مذکور ہیں اور ان کی پابندی کر رہی ہے۔ تعمیل کے تصدیقی بیان پر مشتمل بیرونی آڈیٹر کی طرف سے جاری کی گئی ایک جائزہ رپورٹ لف ہذا ہے۔

کارپوریٹ اور مالیاتی رپورٹس پر مشتمل بیانات:-

ا۔ انتظامیہ کی تیار کردہ یہ مالیاتی رپورٹس، آپریشنز کے نتائج، حصول زر اور استعمال نیز ایکویٹی میں ہونے والی تبدیلیوں کی درست عکاسی کرتی ہیں۔

ب۔ حسابی کتب مناسب طور پر رکھی گئی ہیں۔



ڈائریکٹر ز رپورٹ برائے حصہ داران

- پ۔ مالیاتی گوشواروں کی تیاری میں حسب سابق اکاؤنٹس کے درست اصولوں کو اختیار کیا گیا ہے اور حسابی اندازوں کی بنیاد معقول اور محتاط ہے۔
- ت۔ حسابات کی تیاری میں ان بین الاقوامی معیاروں کی، جن کا نفاذ پاکستان میں ہو چکا ہے، پیروی کی گئی ہے اور کسی بھی انحراف کو واضح طور پر ظاہر کیا گیا ہے۔
- ث۔ اندرونی کنٹرول کا نظام بلحاظ ساخت مکمل ہے اور اس پر عملدرآمد اور نگرانی موثر ہے۔
- ج۔ کمپنی کے چلتے رہنے کی صلاحیت ہر قسم کے شک و شبہ سے بالا ہے۔
- د۔ لسٹنگ ریگولیشنز میں کارپوریٹ کوڈ آف گورننس کے بہترین طریقوں، پر عملدرآمد میں کوئی قابل ذکر انحراف نہیں ہوا ہے۔

چھ سالہ جائزہ:-

گزشتہ چھ سال کے کلیدی آپرٹنگ اور مالی اعداد و شمار اور تناسب کی تفصیل منسلک ہے۔

بورڈ آف ڈائریکٹر اور اس کی کمیٹیاں:-

بورڈ اور اس کی تمام کمیٹیوں کے اراکین کی تعداد اور ان کی ساخت کے بارے میں تفصیلات الگ سے منسلک ہیں۔

ڈائریکٹر ان کے معاوضہ کی پالیسی:-

کمپنی انتظامی معاملات میں شامل نہ ہونے والے ڈائریکٹر (نان ایگزیکٹو ڈائریکٹر) کو مینجنگ میں شمولیت کی فیس کے علاوہ کسی قسم کی ادائیگی نہیں کرتی۔ البتہ کسی بھی ڈائریکٹر کو بورڈ یا اس کی کمیٹیوں یا عام اجلاس میں شرکت پر ہونے والے اخراجات کی ادائیگی کرتی ہے۔

چیف ایگزیکٹو، کل وقتی ورکنگ ڈائریکٹر یا کسی بھی ڈائریکٹر کی اضافی خدمات بجالانے کے معاوضے کا تعین بورڈ کمپنی کے آرٹیکل کے مطابق کرتی ہے۔

ڈائریکٹر ز اور چیف ایگزیکٹو کو دوران سال 2017-2018 دیئے جانے والے معاوضہ کے بارے میں تمام معلومات سالانہ رپورٹ کے نوٹس میں دے دی گئی ہیں۔

حصہ داروں کی تفصیل (پیٹرن آف شیئر ہولڈرز)

مالی سال 30 جون 2018 کے اختتام پر قواعد کے مطابق درکار حصہ داران کی تفصیل منسلک ہے۔

آڈیٹر

بورڈ کی آڈٹ کمیٹی نے موجودہ آڈیٹر میسرز ڈیلاٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹ کی مالی سال 19-2018 میں بطور آڈیٹر تقرری کی سفارش کی ہے۔ بورڈ اس سفارش سے متفق ہے۔

حوصلہ افزائی

ڈائریکٹر ز کمپنی کے تمام ملازمین کی انتھک محنت کا شکر گزاری کے ساتھ اعتراف کرتے ہیں۔

برائے اور از طرف بورڈ آف ڈائریکٹر ز

Memar Nawaz

(منیر شاہنواز)

چئیرمین

/ Nasir

(ایم۔ نعیم)

چیف ایگزیکٹو آفیسر

کراچی 27 ستمبر 2018

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

1. The total number of directors are nine as per the following:
a) Male: 8
b) Female: 1


2. The composition of the board is as follows:

Category	Names
Independent Directors	Mr. Saleem Zamindar (NIT)
	Mr. Sohail Habib
Other Non-Executive Directors	Mr. Muneer Nawaz
	Mr. Mahmood Nawaz
Executive Directors	Mr. Toqueer Nawaz
	Mrs. Sadia Muhammad
	Mr. Muhammad Usman Khalid
	Mr. Muhammad Naeem
	Lt. Col(Retd.) Rashiduddin Shams

3. The directors confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable)
4. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board remained fully compliant with the provision with regard to their directors' training program. Out of total nine directors, four directors of the Company have minimum of 14 years of education and 15 years of experience on the board of a listed company and therefore are exempt from director's training program. Four other directors have completed the Director's Training Program from Pakistan Institute of Corporate Governance (PICG). The remaining one director will undertake the Director's Training Program within the stipulated time. Further, the Company is in process to arrange the orientation course in due course.
10. There was no appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
a) Audit Committee
- Mr. Sohail Habib (Chairman)
- Mr. Muneer Nawaz
- Mr. Toqueer Nawaz
- Mr. Muhammad Usman Khalid
b) HR and Remuneration Committee
- Mr. Saleem Zamindar (Chairman)
- Mr. Muneer Nawaz
- Mr. Muhammad Naeem
- Mr. Muhammad Usman Khalid
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committee were as per following:
Audit Committee: Four quarterly meetings during the financial year ended June 30, 2018;
HR and Remuneration Committee: One meeting during the financial year ended June 30, 2018.
15. The board has outsourced the internal audit function to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the regulations have been complied with except that internal audit reports were not presented in audit committee meetings and had not been placed for Board's discussion. Further, outsourced internal audit function is reporting functionally to CEO instead of audit committee. However, subsequently, the audit committee in the meeting held on September 27, 2018, resolved that onward the internal audit plan together with internal audit reports will be presented regularly in the audit committee and internal audit function will report directly to the committee.

for and on behalf of the Board of Directors


(M. NAEEM)
Chief Executive


(MUNEER NAWAZ)
Chairman

Karachi: September 27, 2018

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulation) prepared by the Board of Directors of **Shahtaj Textile Limited** (the Company) for the year ended June 30, 2018 in accordance with the requirements of Regulation 40 of the Regulations.

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

As 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.

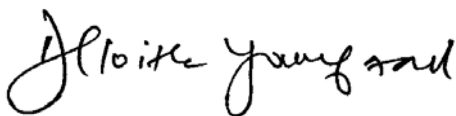
The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transaction and also ensure compliance with the requirements of section 208 of the Companies Act, 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 undertake at arms' 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

Further we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

- 18 Subsequent to the yearend, the audit committee in the meeting held on September 27, 2018, resolved that onward the internal audit plan together with internal audit reports will be presented regularly in the audit committee, and internal audit function will report directly to the committee, which could not be implemented in the current year.

Chartered Accountants



Karachi: October 02, 2018

2017-2018 2016-2017 2015-2016 2014-2015 2013-2014 2012-2013
All figures are in Million Rupees other than where percentages and ratio sign appear.

PROFIT & LOSS ACCOUNT

Net turnover	3925.325	3498.781	3155.887	3291.892	4036.097	4208.752
Gross profit	295.817	328.36	325.129	309.329	292.339	432.924
Operating profit	141.135	156.556	159.625	130.673	129.669	243.336
Profit before taxa	84.598	117.967	116.513	74.289	73.010	146.441
Profit after tax	68.100	105.979	98.858	58.244	71.177	112.897
Earnings per share (Rs.)	7.05	10.97	10.23	6.03	7.37	11.69
Cash dividend	27.50%	50%	45%	25%	25%	40%
Dividend payment ratio	39%	45.6%	44%	41.5%	34%	34%
Cash distribution per share in Rupees	2.75	5.00	4.50	2.50	2.50	4.00

BALANCE SHEET

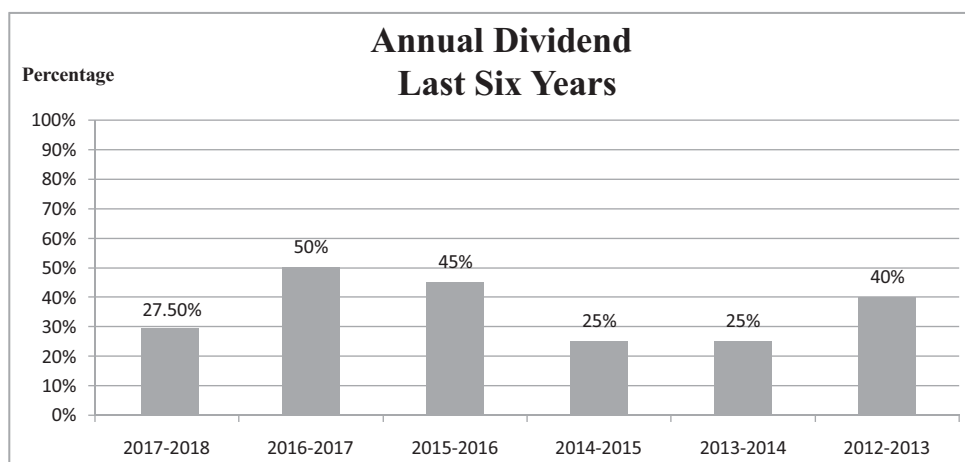
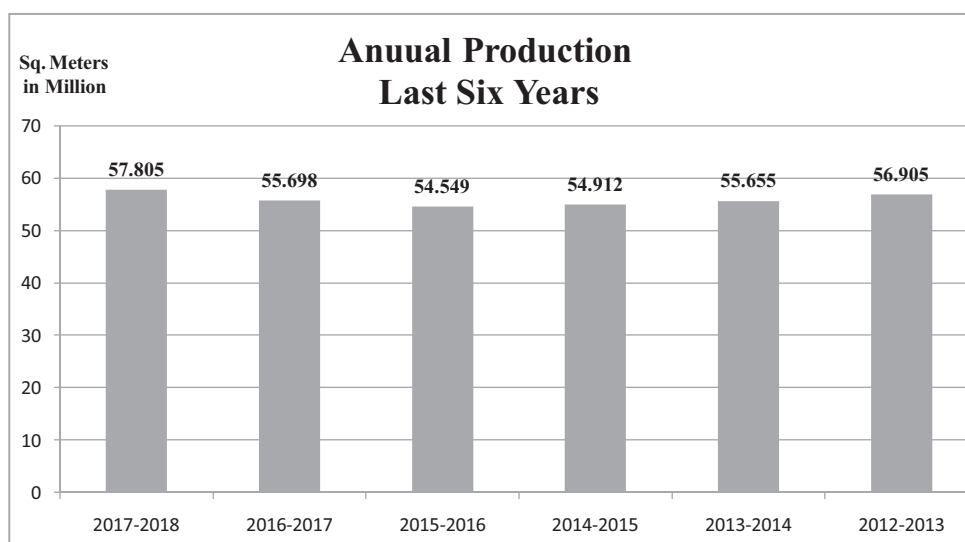
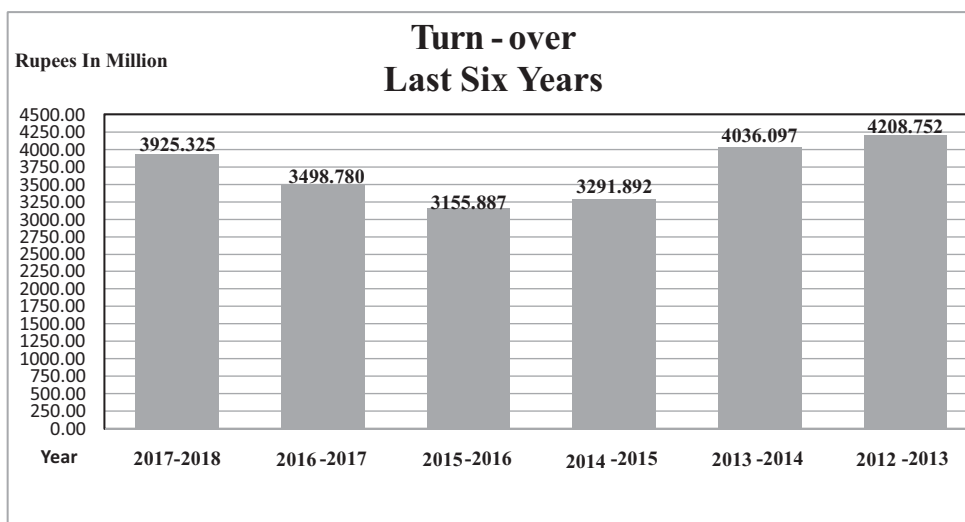
Shareholders funds	96.600	96.600	96.600	96.600	96.600	96.600
Reserves	875.592	853.589	793.853	722.403	676.173	624.725
Surplus on revaluation of plant & machinery	86.947	4.651	5.361	5.946	184.573	209.146
Property plant and equipment	1160.648	1014.729	799.161	858.610	987.473	995.632
Long term liabilities	287.398	298.279	82.276	171.029	159.893	201.717
Net current assets / liabilities	252.585	320.111	243.724	198.150	210.529	208.141

INVESTORS INFORMATION

Gross profit ratio	7.54%	9.38%	10.30%	9.40%	7.24%	10.29%
Profit before tax ratio	2.16%	3.37%	3.69%	2.26%	1.81%	3.49%
Inventory turnover ratio	7.73	8.33	8.86	11.12	13.15	14.03
Fixed asset turnover ratio	3.38	3.45	3.95	3.83	4.09	4.22
Return on equity	6.42%	11.10%	11.03%	7.06%	7.43%	12.13%
Debt equity ratio	21:79	24:76	8:92	14:86	18:82	22:78
Current ratio	1.20:1	1.45:1	8:92	1.35:1	1.36:1	1.37:1
Interest cover ratio	2.50	4.06	3.70	2.32	2.29	2.51

**STATEMENT OF
VALUE ADDED DISTRIBUTION**

Employees remuneration	276.102	266.452	246.061	237.970	211.584	190.649
Government as taxes	16.497	11.988	72.302	82.847	84.761	33.543
Shareholders as dividends	26.565	48.300	43.470	24.150	24.150	38.640
Retained with in business	41.535	57.679	55.388	34.094	47.027	74.258
Financial charges to providers of finance	56.537	38.589	43.112	56.384	56.659	96.895



Pattern of shares held by shareholders as at June 30, 2018 is as under:

Serial Number	NUMBER OF SHARE HOLDERS	FROM	SHARE HOLDING	TO	TOTAL SHARES HELD
1	278	1	-	100	11,086
2	141	101	-	500	51,309
3	543	501	-	1000	318,232
4	77	1001	-	5000	159,308
5	20	5001	-	10000	133,160
6	10	10001	-	15000	121,955
7	5	15001	-	20000	93,975
8	2	20001	-	25000	47,500
9	2	25001	-	30000	52,012
10	1	30001	-	35000	30,600
11	1	35001	-	40000	38,075
12	1	40001	-	45000	43,493
13	4	45001	-	50000	199,585
14	1	50001	-	55000	54,000
15	1	85001	-	90000	87,900
16	1	90001	-	95000	93,500
17	1	100001	-	105000	103,068
18	2	110001	-	115000	227,500
19	1	115001	-	120000	118,000
20	1	135001	-	140000	135,200
21	2	195001	-	200000	395,740
22	1	270001	-	275000	271,584
23	1	285001	-	290000	289,655
24	1	290001	-	295000	294,821
25	1	295001	-	300000	300,000
26	1	300001	-	305000	300,596
27	1	305001	-	310000	306,000
28	1	310001	-	315000	311,904
29	1	350001	-	355000	352,243
30	1	395001	-	400000	396,750
31	1	475001	-	480000	475,726
32	1	525001	-	530000	529,670
33	1	550001	-	555000	552,782
34	1	780001	-	785000	780,500
35	1	830001	-	835000	832,571
36	1	1145001	-	1150000	1,150,000
1,110					9,660,000

The slabs with nil holding have been omitted.

SHARE HOLDER'S CATEGORY

	Number of Share Held	Percentage of shareholding
(i) Associated Companies, undertaking & related parties (name wise details);		
Shahtaj Sugar Mills Limited	1,150,000	11.90%
(ii) Mutual Funds (name wise details);	-	-
(iii) Directors and their spouse(s) and minor children (name wise details);		
1 Mr. Mahmood Nawaz	412,821	
Mrs. Bushra Mahmood Nawaz	132,825	
2 Mr. Muneer Nawaz (Chairman)	832,571	
Mrs. Abida Muneer Nawaz (Wife)	396,750	
3 Mr. M. Naeem (CEO)	103,068	
Mrs. Amtul Bari Naeem	835,670	
4 Lt. Col. (Retd.) Rashiduddin Shams	3,450	
5 Mrs. Sadia Muhammad	302,500	
6 Mr. Toqueer Nawaz	354,596	
7 Mr. Muhammad Usman Khalid	300,005	
8 Mr. Sohail Habib	1,000	
	3,675,256	38.05%
(iv) Executives	5,750	0.06%
(v) Public sector companies and corporations;		
CDC-Trustee National Investment (Unit) Trust (Represented on Board of Directors)	475,726	
	475,726	4.92%
(vi) Banks, Development Finance Institutions, Non Banking Fiance Companies, Insurance Companies, Takaful, Mudarbas, and Pension Funds.		
Y.S. Securities & Services (Pvt) Ltd.	3,075	
Trustee National Bank Of Pakistan Employees Pension Fund	43,493	
S.H. Bukhari Securities (Pvt) Limited	575	
MCB Bank Limited	14,500	
H M Investments (Pvt) Limited	230	
Nh Securities (Pvt) Limited.	75	
NH Capital (Private) Limited	1,000	
Maple Leaf Capital Limited	1	
National Bank Of Pakistan	267	
Progressive Investment Management (Pvt)L	500	
First Dawood Investment Bank Limited	1,000	
Fair Deal Securities (Pvt) Ltd.	400	
Sultan Textile Mills	575	
Habib Bank Limited	75	
Muhammad Ahmed Nadeem Securities (Smc-Pvt) Limited	75	
	65,841	0.68%
(vii) General Public		
Local	4,287,427	
Foreign	-	
	4,287,427	44.38%
	9,660,000	100.00%
Shareholder holding 5% or more voting rights in the listed company (name wise details);		
Shahtaj Sugar Mills Limited	1,150,000	11.90%
Mr. Ahmed Naeem	887,982	9.19%
Mrs. Amtul Bari Naeem	835,670	8.65%
Mr. Muneer Nawaz	832,571	8.62%
Treet Corporation Limited	868,400	8.99%
	4,574,623	47.36%

Opinion

We have audited the annexed financial statements of ShahtajTextile 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 income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Revenue Recognition	
<p>Revenue recognition policy has been explained in notes 4.15, and the related amounts of revenue recognized during the year are disclosed in note 24 to the financial statements.</p> <p>The Company generates revenue from sale of goods to domestic as well as export customers.</p> <p>Revenue from the local and export sales is recognized when significant risks and rewards of ownership have been transferred to the customer, normally when the goods are dispatched to the customer.</p> <p>We identified revenue recognition as key audit matter since 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 assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> obtained understanding and performed testing on design and implementation and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period and based on dispatch of goods to customers; assessed appropriateness of the Company's accounting policies for revenue recognition in light of applicable accounting and reporting standards; and checked, on a sample basis, specific local and export sale transactions with underlying documentation to assess whether revenue has been recognized in the correct accounting period; and checked on a sample basis whether the recorded local and export sales transactions were based on actual dispatch of goods substantiated by supporting documents ; Tested timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents.

Key audit matter	How our audit addressed the key audit matter
2. Change in accounting policy as a result of changes in the Companies Act 2017	
<p>As referred to in note 3.1 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.</p> <p>Due to the above, the Company has changed its accounting policy to account for surplus on revaluation of plant and machinery (refer note 5) 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>The impact of the said change in accounting policy has been disclosed in note 5 to the accompanying financial statements. During the year, the management involved an expert to revalue plant and machinery, which resulted revaluation surplus net of deferred tax of Rs. 85.5 million.</p> <p>We have considered the above as a Key Audit Matter due to the significant amount of surplus on revaluation of plant and machinery, requirements to apply changes retrospectively in compliance with IAS 8 – Accounting Policies and Changes in Accounting Estimates and Errors, and involvement of expert for valuation of plant and machinery by management.</p>	<p>Our audit procedures, included the following:</p> <ul style="list-style-type: none"> we assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements; Re-performed the calculations based on the working and valuation reports of the respective years to ensure that values of plant and machinery, and surplus on revaluation of plant and machinery have been properly restated in the financial statements engaged an auditor's expert to review the revaluation exercise conducted by the valuer appointed by management to check the assumptions used for the revaluation of plant and machinery; and in respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to note 2 and 5 to the accompanying financial statements; we assessed the accounting implications and disclosures in the financial statements in accordance with the applicable accounting and reporting standards.
3. Valuation of stock in trade	
<p>Stock-in-trade has been valued following an accounting policy as stated in note 4.9 and the related value of stock-in-trade are disclosed in note 17 to the financial statements. Stock-in-trade forms material part of the Company's assets comprising of 19 % of total assets.</p> <p>The valuation of finished goods within stock-in-trade at cost has different components, which includes judgment in relation to the allocation of overheads costs, which are incurred in bringing the finished goods to its present location and condition. Judgments are also involved in determining the net realizable value (estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale) of stock-in-trade items in line with accounting policy.</p>	<p>Our audit procedures to address the valuation of stock-in-trade, included the following:</p> <ul style="list-style-type: none"> obtained an understanding of mechanism of recording purchases and valuation of stock-in-trade; tested on a sample basis purchases with underlying supporting documents; verified the calculations of the actual overhead costs and checked allocation of labor and overhead costs to the finished goods; obtained an understanding of management's process for determining the net realizable value and checked:

Key audit matter	How our audit addressed the key audit matter
Due to the above factors, we have considered the valuation of stock in trade as key audit matter.	<ul style="list-style-type: none"> • future selling prices by performing a review of sales close to and subsequent to the year-end; and • determination of cost necessary to make the sales • checked the calculations of net realizable value of itemized list of stock-in-trade, on a sample basis and compared the net realizable value with the cost to ensure that valuation of stock-in-trade is in line with the accounting policy.

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 annual report, but does not include the financial statements and our auditor's report thereon.

The annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

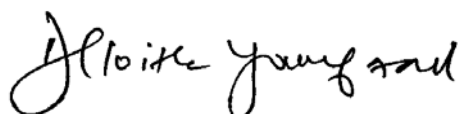
Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss 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 Naresh Kumar.

Chartered Accountants




Date: October 02, 2018


Place: Karachi

	Note	2018 Rupees	(Restated) 2017 Rupees	(Restated) 2016 Rupees		Note	2018 Rupees	(Restated) 2017 Rupees	(Restated) 2016 Rupees
EQUITY AND LIABILITIES					ASSETS				
Share capital and reserves					Non-current assets				
Authorized share capital 10,000,000 ordinary shares of Rs. 10 each		100,000,000	100,000,000	100,000,000	Property, plant and equipment	13	1,160,647,826	1,014,729,650	799,161,315
Issued, subscribed and paid-up capital	6	96,600,000	96,600,000	96,600,000	Long-term loans	14	932,566	906,748	1,395,717
Reserves		875,592,815	853,588,900	793,853,010	Long-term deposits	15	30,069,081	30,069,081	28,972,381
Surplus on revaluation of plant and machinery		86,946,656	4,651,532	5,360,732			1,191,649,473	1,045,705,479	829,529,413
		1,059,139,471	954,840,432	895,813,742					
LIABILITIES					Current assets				
Non-current liabilities					Stores, spares and loose tools	16	49,228,768	47,454,379	50,290,708
Long-term finance	7	287,397,722	298,279,000	82,276,000	Stock-in-trade	17	507,909,366	420,201,356	355,914,897
Deferred liabilities	8	97,697,523	112,677,615	95,163,619	Trade debts	18	619,238,897	260,427,200	202,988,914
		385,095,245	410,956,615	177,439,619	Loans and advance	19	10,692,345	7,465,602	1,393,797
Current liabilities					Trade deposits and prepayments	20	815,875	1,034,563	954,118
Trade and other payables	9	393,511,945	236,372,545	193,408,880	Other receivables	21	47,226,294	24,699,983	8,533,375
Unclaimed dividend		9,458,388	8,773,646	7,874,907	Taxation - net		90,634,755	107,018,005	74,553,864
Interest accrued	10	15,392,909	6,750,670	6,607,566	Sales tax refundable		140,738,856	149,613,696	91,603,679
Short-term borrowings	11	776,296,294	430,438,779	304,979,140	Other financial assets	22	-	7,591,787	7,425,268
Current portion of long-term finance	7	44,235,478	29,580,000	50,205,540	Cash and bank balances	23	24,995,101	6,500,637	13,141,361
		1,238,895,014	711,915,640	563,076,033			1,491,480,257	1,032,007,208	806,799,981
Total equity and liabilities		2,683,129,730	2,077,712,687	1,636,329,394	Total assets		2,683,129,730	2,077,712,687	1,636,329,394
CONTINGENCIES AND COMMITMENTS									
	12								

The annexed notes from 1 to 46 form an integral part of these financial statements.



(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer



(Muneer Nawaz)
Chairman

	Note	2018 Rupees	2017 Rupees
Sales - net	24	3,925,325,212	3,498,780,590
Cost of goods sold	25	(3,629,507,471)	(3,170,420,816)
Gross profit		295,817,741	328,359,774
Distribution expenses	26	(72,781,958)	(69,142,693)
Administrative expenses	27	(93,789,120)	(101,300,630)
Other operating expenses	28	(8,152,533)	(9,570,645)
Finance cost	29	(56,537,548)	(38,589,580)
		(231,261,159)	(218,603,548)
		64,556,582	109,756,226
Other income	30	20,041,518	8,210,681
Profit before taxation		84,598,100	117,966,907
Taxation	31	(16,497,443)	(11,988,248)
Profit after taxation		68,100,657	105,978,659
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Loss on remeasurement of defined benefit obligation		(1,259,314)	(3,853,997)
Less: Impact of deferred tax thereon		130,121	409,641
		(1,129,193)	(3,444,356)
Gain on revaluation of plant and machinery		94,135,461	-
Less: Impact of deferred tax thereon		(8,586,359)	-
		85,549,102	-
Other comprehensive income for the year		84,419,909	(3,444,356)
Total comprehensive income for the year		152,520,566	102,534,303
Earnings per share - basic and diluted	32	7.05	10.97

The annexed notes from 1 to 46 form an integral part of these financial statements.



(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer

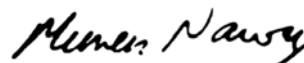

(Muneer Nawaz)
Chairman

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		84,598,100	117,966,907
Adjustments for:			
Depreciation	13.2	102,252,572	84,958,660
Interest expense	29	56,537,548	38,589,580
(Gain) / loss on disposal of property, plant and equipment	30	(81,094)	6,802,228
Provision for gratuity and leave encashment	8.1.3 & 8.3	21,556,051	19,204,543
Provision for doubtful debts	18.5	1,980,572	12,004,327
Property and equipment written off		170,334	250,231
Stores and spares written off	28	1,712,307	742,253
Interest income	30	(173,813)	(444,747)
Stock in trade written off	17	59,848	154,104
Operating cash flows before movements in working capital		268,612,425	280,228,086
(Increase) / decrease in current assets			
Stores, spares and loose tools		(3,486,696)	2,094,076
Stock-in-trade		(87,767,858)	(64,440,563)
Trade debts		(360,792,269)	(69,442,613)
Loans and advances		(3,226,743)	(6,071,805)
Trade deposits and prepayments		218,688	(80,445)
Other receivables		(22,526,311)	(16,166,608)
Sales tax refundable		8,874,840	(58,010,017)
Increase in current liabilities			
Trade and other payables		157,139,400	45,341,479
Cash (used in) / generated from operations		(42,954,524)	113,451,590
Gratuity and leave encashment paid		(23,858,351)	(11,789,675)
Interest paid		(47,895,309)	(38,446,476)
Income taxes paid		(22,429,064)	(40,213,043)
Net cash (used) in / generated from operating activities		(137,137,248)	23,002,396
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(154,412,767)	(314,857,908)
Proceeds from disposal of property, plant and equipment		288,240	7,278,454
Long-term loans		(25,818)	488,969
Increase in long-term deposits		-	(1,096,700)
Interest received		173,813	444,747
Net cash used in investing activities		(153,976,532)	(307,742,438)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term finance		(29,580,000)	(50,205,540)
Long term finance obtained		33,354,200	245,583,000
Dividend paid		(47,615,258)	(42,571,262)
Short term borrowings- FE-25 loan		(155,634,157)	155,634,157
Net cash (used) in / generated from financing activities		(199,475,215)	308,440,355
Net (decrease) / increase in cash and cash equivalents		(490,588,995)	23,700,313
Cash and cash equivalents at beginning of the year		(260,712,198)	(284,412,511)
Cash and cash equivalents at end of the year	34	(751,301,193)	(260,712,198)

The annexed notes from 1 to 46 form an integral part of these financial statements.


(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer


(Muneer Nawaz)
Chairman

	Issued, Subscribed and Paid up Capital Rupees	Revenue reserve		Capital reserve Revaluation surplus on plant and machinery Rupees	Total Rupees
		General Rupees	Unappropriated profit Rupees		
Balance as at July 1, 2016 - as previously reported	96,600,000	615,000,000	178,853,010	-	890,453,010
Impact of re-statement - note 5	-	-	-	5,360,732	5,360,732
Balance as at July 1, 2016 - as restated	96,600,000	615,000,000	178,853,010	5,360,732	895,813,742

Total comprehensive income for the year ended June 30, 2017

Profit after taxation	-	-	105,978,659	-	105,978,659
Other comprehensive income for the year net of tax	-	-	(3,444,356)	-	(3,444,356)
	-	-	102,534,303	-	102,534,303

Transferred from surplus on revaluation of plant and machinery on account of:					
- incremental depreciation net of deferred tax	-	-	524,717	(524,717)	-
- disposal net of deferred tax	-	-	146,870	(146,870)	-
- Change in rate of tax	-	-	-	(37,613)	(37,613)
Transferred to general reserve	-	50,000,000	(50,000,000)	-	-

Transactions with owners

Final dividend for the year ended June 30, 2016 @ Rs. 4.5 per share	-	-	(43,470,000)	-	(43,470,000)
Balance as at June 30, 2017 - as restated	96,600,000	665,000,000	188,588,900	4,651,532	954,840,432

Total comprehensive income for the year ended June 30, 2018


Profit after taxation	-	-	68,100,657	-	68,100,657
Other comprehensive income for the year net of tax	-	-	(1,129,193)	85,549,102	84,419,909
	-	-	66,971,464	85,549,102	152,520,566

Transferred from surplus on revaluation of plant and machinery on account of:					
- incremental depreciation net of deferred tax	-	-	3,332,451	(3,332,451)	-
- Change in rate of tax	-	-	-	78,473	78,473
Transferred to general reserve	-	45,000,000	(45,000,000)	-	-

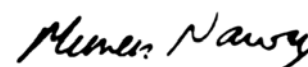
Transactions with owners

Final dividend for the year ended June 30, 2017 @ Rs. 5 per share	-	-	(48,300,000)	-	(48,300,000)
Balance as at June 30, 2018	96,600,000	710,000,000	165,592,815	86,946,656	1,059,139,471

The annexed notes from 1 to 46 form an integral part of these financial statements.


(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer


(Muneer Nawaz)
Chairman

1. STATUS AND NATURE OF BUSINESS

Shahtaj Textile Limited (the Company) is limited by shares, incorporated in Pakistan on January 24, 1990 under the Companies Ordinance, 1984 (now Companies Act, 2017) as a public limited Company. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The principal business of the Company is to manufacture and sale of textile goods.

Following are the geographical location and addresses of the Company:

Head Office

Shahnawaz Building, 19 - Dockyard Road, West Wharf, Karachi, Sindh, Pakistan.

Manufacturing Facility/Plant

46 KM, Lahore/Multan Road, Chunian Industrial Estate, Bhai Pheru, Distt. Kasur, Punjab, Pakistan.

Registered Office

27-C, Abdalian Cooperative Housing Society Limited, Opposite Expo Center, Lahore, Pakistan.

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

The plant and machinery are revalued which has resulted an increase in revaluation surplus on plant and machinery amounting to Rs. 94.14 million and the related impact of deferred tax amounts to Rs. 8.59 million.

Due to the applicability of Companies Act, 2017 certain disclosures of the financial statements have been presented in accordance with the fourth schedule notified by the Securities and Exchange Commission of Pakistan vide S.R.O 1169 dated 7 November 2017. Due to applicability of the Companies Act, 2017 the treatment of revaluation surplus has been changed which is explained in detail in note 5. Further, the disclosure requirements as contained in fourth schedule of the Act have also been revised, resulting in incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company (refer note 13.5), management assessment of sufficiency of tax provision in the financial statements (refer note 31.3), change in threshold for identification of executives (refer note 35), additional disclosure requirements for related parties (refer note 36) etc.

Other income has been increased significantly mainly because of exchange gain due to devaluation of currency. The company has not discounted the foreign bills in order to avail the exchange gain in the later period due to which the export debtors have been increased significantly as compared to previous year.

Other significant transactions and events have been adequately described in these financial statements. For detail performance review of the Company, refer Directors' Report.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

International Financial Reporting Standards (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.

3.2 Basis of measurement

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

- revaluation of certain property, plant and equipment and
- obligation under defined benefit plan at net present value.

3.3 Presentation and functional currency

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

3.4 Changes in accounting standards, interpretations and corporate law

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

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.

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	Effective from accounting period beginning on or after:
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Certain annual improvements have also been made to a number of IFRSs.	January 01, 2017
The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of plant and machinery as more fully explained in note 5, change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the Fourth Schedule to the Act have been revised, resulting in the:	
<ul style="list-style-type: none"> - elimination of duplicative disclosures with the IFRS disclosure requirements; and - incorporation of significant additional disclosures. 	

3.4.2 New accounting standards / amendments and IFRS interpretations that are not yet effective for the year ended June 30, 2018

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	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.	July 01, 2018
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	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.	January 01, 2019
	Effective from accounting period beginning on or after:
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	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.	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'.	January 01, 2019

	Effective from accounting period beginning on or after:
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	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.	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'.	January 01, 2019

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

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

The above standards and amendments are not expected to have any material impact on the company financial statements in the period of initial application of except for IFRS 15 - Revenue From Contracts With Customers and IFRS 9- Financial Instruments .The Company is currently evaluating the impact of the said standard.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except for change in accounting policy as mentioned in note 5 to these financial statements.

4.1 Defined benefit plan - staff gratuity

The Company operates an unfunded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the scheme. Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to statement of profit or loss and other comprehensive income. All actuarial gains and losses are recognized in 'other comprehensive income'. The valuation is carried out using the "Project Unit Credit Method".

4.2 Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

4.3 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account tax rebates and tax credits available, if any, or turnover at the specified rate or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. Charge for current tax also includes adjustments, where necessary, relating to prior years which arise from assessment framed / finalized during the year. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

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

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

4.4 Trade and other payables

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

4.5 Provisions

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.6 Property, plant and equipment

Property, plant and equipment, except plant and machinery, are stated at cost less accumulated depreciation and impairment loss, if any.

Freehold land is stated at cost. Plant and machinery are stated at revalued amount being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the reporting date. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on revaluation of plant and equipment' shown as part of equity. The Company has adopted the following accounting treatment of depreciation on revalued assets.

a) depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the statement of profit or loss and other comprehensive income; and

b) an amount equal to incremental depreciation for the year net of deferred tax is transferred from "Surplus on revaluation of plant and machinery" to unappropriated profits through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to unappropriated profit.

Depreciation is charged to statement of profit or loss and other comprehensive income applying the reducing balance method at the rate specified in note 13.1, whereby the cost of the asset is written over its useful life. Depreciation on all additions in property, plant and equipment is charged from the month in which the asset is available for use and on disposals up to the month preceding the month of disposal.

Assets' residual values, if significant, and their useful lives are reviewed and adjusted, if appropriate, at each reporting date.

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

An items of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal Any gains or losses arising on derecognition of the assets (calculated as difference between the net disposal proceeds and the carrying amount of the assets) is included in the profit and loss account.

Capital work-in-progress

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

4.7 Investments

Regular way purchase or sale of investments

All purchases and sales of investments are recognized using settlement date accounting. Settlement date is the date that the investments are delivered to or by the Company.

Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold till maturity. Held-to-maturity investments are initially recognized at fair value plus transaction cost and are subsequently carried at amortized cost using effective interest rate method.

Derecognition

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

4.8 Stores, spares and loose tools

These are valued at lower of cost and net realizable value, determined on moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost to be incurred for its sale.

The Company writes off stores and spares which at the end of the financial year have remained in stocks from the date of purchase for a period as prescribed under:

Stores general	held over 5 years
Spares	held over 10 years

The above write off is charged to statement of profit or loss and other comprehensive income in the period such items are written off.

4.9 Stock-in-trade

These are valued at lower of cost and net realizable value. Methods used for determining costs are as follows:

Raw and packing materials	Moving average cost
Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost

Raw material-in-transit & finished goods - in - transit are valued at cost comprising of cost and freight value plus other charges incurred thereon up to the reporting date.

Average cost in relation to work-in-process and finished goods signifies average manufacturing cost including a portion of related direct overheads.

Net realizable value (NRV) signifies the estimated selling price in the ordinary course of business less estimated costs of completion and cost necessary to make the sale.

Where NRV charge subsequently reverses, the carrying value of the inventory is also increased to the extent that the revised carrying value does not exceed the amount that would have been determined had no NRV charge been recognized. A reversal of NRV is recognized in profit and loss account.

The Company writes off raw material which at close of the financial year have remained in stocks for more than 3 years from the date of purchase. The write off is charged to statement of profit or loss and other comprehensive income in the period such stocks are written off.

4.10 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value plus directly attributable cost if any, and subsequently measured at amortized cost. A provision for impairment of trade debts and other receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is charged to statement of profit or loss and other comprehensive income. Trade debts and other receivables are written off when considered irrecoverable.

4.11 Financial instruments

Financial assets and 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. Any gain or loss on derecognition of the financial assets and liabilities is taken to profit and loss account directly.

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

4.12 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments and short-term running finance under mark-up arrangements.

4.13 Impairment

Financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through statement of profit or loss and other comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-financial assets

The Company assesses at each statement of financial position date whether there is any indication that assets except deferred tax assets and inventories 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 amounts and the resulting impairment loss is recognized in statement of profit or loss and other comprehensive income account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in statement of profit or loss and other comprehensive income account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.14 Offsetting of financial assets and financial liabilities

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

4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amount receivable for goods supplied, stated net of returns. Revenue from sale of goods is recognized on dispatch of goods to customers i.e. when the significant risks and rewards of ownership have been transferred to the customer.

Export rebate is recognized on accrual basis at the time of recognizing export sale.

Interest / mark-up income is accounted on a time proportionate basis using effective interest rate.

4.16 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 statement of profit or loss and other comprehensive income in the period in which they are incurred.

4.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added in the carrying amount of the borrowing.

4.18 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 appropriate authority.

4.19 Foreign currency transactions and translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into reporting currency equivalents using foreign currency rates ruling on the reporting date. Exchange differences on foreign currency transactions are included in the income currently.

4.20 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Company considers the Board of Directors as the CODM, who is responsible for allocating resources and assessing performance of the operating segments. Management has determined that the Company has a single reportable segment, as the Board of Directors views the Company's operations as one reportable segment because of the similarity in nature of the products, nature of the production processes, type or class of customers for the products and the methods used to distribute the products.

4.21 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 or loss 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 or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.22 Critical judgments and estimates in applying the accounting policies

The preparation of the financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgment that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. Areas where judgments and estimates made by the management that may have a significant effect on the amounts recognised in the financial statements are included in the following notes:

- Provision for gratuity (notes 4.1 and 8.1)
- Provision for taxation and deferred tax (notes 4.3, 8.2 and 31)
- Contingencies and commitments (note 12)
- Useful lives and residual values of property, plant and equipment (notes 4.6 and 13)
- Net realizable value of stock in trade and stores, spares & loose tools (notes 4.9 and 17) (Notes No. 4.8 & 16)
- Provision for doubtful debts (note 4.10 and 18)

5. 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 under equity.

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

Increases in the carrying amounts arising on revaluation of plant and machinery are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to statement of profit or loss and other comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to statement of profit or loss and other comprehensive income and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on plant and machinery to unappropriated profits.

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 at June30, 2017			As at June30, 2016		
	As previously reported	As restated	Restatement	As previously reported	As restated	Restatement
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Effect on statement of financial position						
Surplus on revaluation of plant and machinery - net of tax	4,651,532	-	(4,651,532)	5,360,732	-	(5,360,732)
Reserves	-	4,651,532	4,651,532	-	5,360,732	5,360,732
Effect on statement of change in equity						
Capital reserve	-	4,651,532	4,651,532	-	5,360,732	5,360,732

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
Number of shares			Rupees	Rupees
8,400,000	8,400,000	Ordinary shares of Rs.10 each fully paid	84,000,000	84,000,000
1,260,000	1,260,000	In cash	12,600,000	12,600,000
9,660,000	9,660,000	As bonus shares	96,600,000	96,600,000

6.1 Shahtaj Sugar Mills Limited (an associated company) held 1,150,000 (2017: 1,150,000) fully paid ordinary shares of Rs. 10 each at year end.

6.2 The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

	Note	2018 Rupees	2017 Rupees
7. LONG-TERM FINANCE			
Secured			
From banking companies		331,633,200	327,859,000
Less: Current portion shown under current liabilities		(44,235,478)	(29,580,000)
	7.1	287,397,722	298,279,000

7.1 Details and movement are as follows:

	The Bank of Punjab	Bank Alfalah Limited	United Bank Limited	2018	2017
	Term Finance	Term Finance	Term Finance	Total	Total
Rupees				
Balance at July 01	73,949,000	253,910,000	-	327,859,000	132,481,540
Obtained during the year	-	-	33,354,200	33,354,200	245,583,000
	<u>73,949,000</u>	<u>253,910,000</u>	<u>33,354,200</u>	<u>361,213,200</u>	<u>378,064,540</u>
Repaid during the year	(29,580,000)	-	-	(29,580,000)	(50,205,540)
	<u>44,369,000</u>	<u>253,910,000</u>	<u>33,354,200</u>	<u>331,633,200</u>	<u>327,859,000</u>
Payable within one year	(29,580,000)	(14,655,478)	-	(44,235,478)	(29,580,000)
	<u>14,789,000</u>	<u>239,254,522</u>	<u>33,354,200</u>	<u>287,397,722</u>	<u>298,279,000</u>
Mark up rate (per annum)	SBP rate +120 bps (2017: SBP rate +120 bps)	SBP rate + 75 bps (2017: SBP rate + 75 bps)	SBP rate + 50 bps (2017: nil)		
Installment repayable	Bi-annually	Bi-annually	Quarterly		
Mark up payable	Quarterly	Quarterly	Quarterly		
Loan period	5 years	10 years	10 years		
Grace period	1 year from last drawn date	2 year from last drawn date	2 year from last drawn date		
Sub-note	7.2	7.3	7.4		

7.2 The loan is secured by way of first pari passu hypothecation charge over present and future fixed assets of the Company (including land, building, plant and machinery) for Rs. 157.759 million with 25% margin.

7.3 The loan is secured by way of first pari passu hypothecation charge over present & future fixed assets (including land, building, plant & machinery) of the Company.

7.4 The loan is secured by way of ranking charge over plant and machinery of the Company for an amount of Rs. 533.33 million inclusive of 25 % margin.

	Note	2018 Rupees	2017 Rupees
8. DEFERRED LIABILITIES			
Staff gratuity	8.1	70,205,466	71,876,476
Deferred taxation	8.2	22,141,909	36,079,015
Leave encashment	8.3	5,350,148	4,722,124
		97,697,523	112,677,615
8.1 Staff gratuity			
Liability recognized in the statement of financial position		70,205,466	71,876,476
8.1.1 Movement in liability during the year			
Balance as at July 01		71,876,476	61,082,613
Charge for the year	8.1.3	16,513,726	14,665,761
Remeasurement loss recognized in other comprehensive income	8.1.4	1,259,314	3,853,997
Payments made during the year		(19,444,050)	(7,725,895)
Balance as at June 30		70,205,466	71,876,476
8.1.2 Changes in present value of defined benefit obligation			
Present value of defined benefit obligation on July 1		71,876,476	61,082,613
Current service cost for the year	8.1.3	11,696,756	10,517,335
Interest cost for the year	8.1.3	4,816,970	4,148,426
Benefits paid during the year		(19,444,050)	(7,725,895)
remeasurement losses arised during the year	8.1.4	1,259,314	3,853,997
Present value of defined benefit obligation on June 30		70,205,466	71,876,476
8.1.3 Expense recognized in statement of profit or loss and other comprehensive income			
Current service cost		11,696,756	10,517,335
Interest cost		4,816,970	4,148,426
		16,513,726	14,665,761
8.1.4 Remeasurement losses recognized in other comprehensive income			
Changes in financial assumptions		271,788	96,864
Experience adjustments		987,526	3,757,133
Actuarial losses arised during the year		1,259,314	3,853,997
8.1.5			
The principal assumptions used in the actuarial valuations carried out as of June 30, 2018 using the 'Projected Unit Credit' method, are as follows:			

	2018	2017
Discount rate per annum %	9	7.75
Expected annum rate of increase in future salaries %	8	6.75
Expected average remaining working lives	7 years	6 years
Expected mortality rate	SLIC (2001-2005) Setback 1 year	SLIC (2001-2005) Setback 1 year
Expected withdrawal rate	Age based	Age based

8.1.6 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	2018	
		Increase / (decrease) in defined benefit obligation	
		Increase in assumption	Decrease in assumption
		Rupees	Rupees
Discount rate	1%	(5,022,565)	4,426,816
Salary increase rate	1%	5,202,382	(2,387,717)
	Change in assumption	2017	
		Increase / (decrease) in defined benefit obligation	
		Increase in assumption	Decrease in assumption
		Rupees	Rupees
Discount rate	1%	(4,368,823)	3,841,266
Salary increase rate	1%	4,530,087	(4,058,728)

The 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 defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability for gratuity recognized within the statement of financial position.

8.1.7 The Scheme exposes the Company to the actuarial risks such as:

Salary risk

The risk that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Mortality / withdrawal risk

The risk that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Longevity risk

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

8.1.8 Expected gratuity expense for the year ending June 30, 2019 is Rs. 17,855,436.

8.1.9 The weighted average duration of the defined benefit obligation for the year ended June 30, 2018 is 7 years (2017: 6 years).

8.1.10 "The expected maturity analysis of undiscounted benefit obligation is:

	2018	2017
	Rupees	Rupees
Less than a year	12,969,909	21,978,856
Between 1 to 2 years	9,398,210	10,608,596
Between 2 to 3 years	9,497,008	7,329,564
Between 3 to 4 years	7,962,485	7,638,934
Between 4 to 5 years	7,895,785	6,334,732
Between 6 to 10 years	55,881,070	48,108,019
11 years and above	335,309,974	235,649,395

8.2 Deferred taxation

	Opening balance	Recognized in statement of profit or loss and other comprehensive income	Recognized in other comprehensive income	Recognized in surplus on revaluation of assets	Closing balance
	----- Rupees -----				
Movement for the year ended June 30, 2018					
Deferred tax liabilities on taxable temporary differences arising in respect of:					
- property, plant and equipment - owned assets	52,558,196	(7,814,553)	-	-	44,743,643
- surplus on revaluation of plant and equipment	553,223	(334,480)	8,586,359	(78,473)	8,726,629
	<u>53,111,419</u>	<u>(8,149,033)</u>	<u>8,586,359</u>	<u>(78,473)</u>	<u>53,470,272</u>
Deferred tax assets on deductible temporary differences arising in respect of:					
- staff gratuity	(8,141,664)	464,850	(130,121)	-	(7,806,935)
- provision for doubtful debts	(8,890,740)	43,197	-	-	(8,847,543)
- unadjusted minimum tax u/s 113 (note 8.2.1)	-	(14,673,885)	-	-	(14,673,885)
	<u>(17,032,404)</u>	<u>(14,165,838)</u>	<u>(130,121)</u>	<u>-</u>	<u>(31,328,363)</u>
	<u>36,079,015</u>	<u>(22,314,871)</u>	<u>8,456,238</u>	<u>(78,473)</u>	<u>22,141,909</u>
Movement for the year ended June 30, 2017					
Deferred tax liabilities on taxable temporary differences arising in respect of:					
- property, plant and equipment - owned assets	42,932,124	9,626,072	-	-	52,558,196
- surplus on revaluation of plant and equipment	595,482	(79,872)	-	37,613	553,223
	<u>43,527,606</u>	<u>9,546,200</u>	<u>-</u>	<u>37,613</u>	<u>53,111,419</u>
Deferred tax assets on deductible temporary differences arising in respect of:					
- staff gratuity	(6,531,340)	(1,200,683)	(409,641)	-	(8,141,664)
- provision for doubtful debts	(7,162,382)	(1,728,358)	-	-	(8,890,740)
	<u>(13,693,722)</u>	<u>(2,929,041)</u>	<u>(409,641)</u>	<u>-</u>	<u>(17,032,404)</u>
	<u>29,833,884</u>	<u>6,617,159</u>	<u>(409,641)</u>	<u>37,613</u>	<u>36,079,015</u>

8.2.1 The deferred tax asset recognised in the financial statements represents the management's best estimate of the potential benefit which is expected to be realized in the future years in the form of reduced tax liability as the company would be able to set off the tax liability in those years against minimum tax against the taxable profits of future years.

	Note	2018 Rupees	2017 Rupees
8.3 Leave encashment			
Balance as at July 01		4,722,124	4,247,122
Provision during the year		5,042,325	4,538,782
Paid during the year		(4,414,301)	(4,063,780)
Balance as at June 30		5,350,148	4,722,124
9. TRADE AND OTHER PAYABLES			
Creditors		269,779,118	143,879,372
Accrued liabilities		110,150,935	78,446,033
Advance from customers		547,128	873,229
Due to an associated undertaking	9.1	1,249,451	107,499
Workers' Profit Participation Fund	9.2	4,543,400	6,335,495
Workers' Welfare Fund		1,726,492	2,407,488
Retention payable		2,452,037	1,271,445
Withheld sales tax		15,731	122,882
Others		3,047,653	2,929,102
		393,511,945	236,372,545
9.1	This represents payable to Shahnawaz (Private) Limited, a related party, on account of software maintenance charges, computer supplied and office facility charges.		
9.2 Workers' Profit Participation Fund			
Balance as at July 01		6,335,495	6,257,401
Interest on funds utilized in the Company's business @ 37.5% (2017: 33.75%)	29	253,854	260,368
		6,589,349	6,517,769
Payments made during the year		(6,589,349)	(6,517,769)
		-	-
Allocation for the year	28	4,543,400	6,335,495
Balance as at June 30		4,543,400	6,335,495
10. INTEREST ACCRUED			
Interest accrued on:			
- Long-term finance		3,021,393	3,368,678
- Running finance		10,725,973	2,236,495
- Musharaka finance		1,645,543	1,145,497
		15,392,909	6,750,670
11. SHORT-TERM BORROWINGS			
Banking companies- secured			
Running finances under markup arrangement	11.1	578,886,487	263,232,919
FE-25 loan		-	155,634,157
Musharaka Finance	11.2	197,409,807	11,571,703
		776,296,294	430,438,779

- 11.1** The Company can avail finance facilities from various banks aggregating to Rs. 1,060 million (2017: Rs. 1,060 million). The unavailed facilities as at year end were Rs. 482 million (2017: Rs. 985 million). The facilities are secured by hypothecation of stocks and book debts. These are subject to mark-up ranging from 1 to 3 month KIBOR plus 0.25% to 1.5% per annum (2017: KIBOR plus 0.25% to 1.5% per annum).
- 11.2** The Company can avail finance facility under musharakah of Rs. 200 million (2017: Rs. 200 million). The unavailed facility as at year end were Rs. 2.59 million (2017: Rs. 188.43 million). This finance facility is secured by hypothecation of stocks and book debts and carries markup rate of 3 month KIBOR plus 0.35% per annum (2017: 3 months KIBOR plus 0.35% per annum).

12. CONTINGENCIES AND COMMITMENTS

Contingencies

Guarantees issued by banks on behalf of the Company in favor of Sui Northern Gas Pipelines Limited (SNGPL)

Bills discounted with recourse

Tax contingency has been disclosed in note 31.4 to the financial statements.

2018 Rupees	2017 Rupees
36,843,000	20,400,000
-	115,216,407

- 12.1** Gas Infrastructure Development (GID) Cess was levied with effect from December 15, 2011 and was chargeable on industrial gas customers at different rates as prescribed by the Federal Government through OGRA notification. On August 22, 2014, the Supreme Court of Pakistan declared that the levy of GIDC as a tax was not levied in accordance with the Constitution and hence not valid.

On September 25, 2014, the President of Pakistan promulgated GID Cess Ordinance 2014, which was applicable to whole of Pakistan and has to be complied by all parties. On September 29, 2014, the Honorable Sindh High Court gave a stay order to various parties against the promulgation of Presidential order dated September 25, 2014.

On May 22, 2015, the GID Cess Act, 2015 was passed by Parliament applicable on all consumers. Following the imposition of the said Act, many consumers filed a petition in Honorable Sindh High Court and obtained stay order against Act passed by the Parliament.

On October 26, 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh which is pending adjudication.

In June 2017, OGRA revised the RLNG tariff retrospectively. On the basis of retrospective tariff determination, the Company received demand in respect of RLNG tariff arrears.

In view of the above aforementioned developments, the Company has filed various law suits in Sindh and Lahore High Courts against charge of Gas Infrastructure Development Cess and RLNG tariff arrears. The Company expects the final outcome to be in its favour. However the management on prudent basis has recognized provision of Rs 20 million and Rs. 23.587 (2017: Rs. 10.216 million) in respect of GIDC and RLNG tariff arrears.

Commitments outstanding

Sales contracts to be executed

2018 Rupees	2017 Rupees
761,162,526	710,515,286
1,078,609,571	1,004,834,384
82,038,255	9,895,266
1,160,647,826	1,014,729,650

13. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets

Capital work in progress

13.1

13.7



13.1 Operating fixed assets

Year ended June 30, 2018

As at July 01, 2017

	Freehold land	Mills building	Buildings on freehold land	Marketing office and others	Plant and machinery *	Furniture and fixtures	Equipment and installations	Computer equipment	Vehicles	Others - arms	Total
Cost / revalued amount	31,121,190	175,337,419	33,383,890	20,617,154	1,628,802,343	10,978,161	6,351,371	4,971,788	32,253,473	80,470	1,943,897,259
Accumulated depreciation	-	(108,920,022)	(25,124,120)	(8,319,568)	(766,058,906)	(4,617,267)	(2,924,140)	(3,645,718)	(19,379,993)	(73,141)	(939,062,875)
Net book value	31,121,190	66,417,397	8,259,770	12,297,586	862,743,437	6,360,894	3,427,231	1,326,070	12,873,480	7,329	1,004,834,384
Additions	-	-	-	-	687,903	18,849	898,800	592,362	120,400	-	2,318,314
Transfers from CWIP	-	30,544,539	402,979	-	49,003,945	-	-	-	-	-	79,951,463
Disposals	-	-	-	-	-	-	(108,696)	-	(788,700)	-	(897,396)
Write off	-	-	-	-	-	-	(279,300)	-	-	-	(279,300)
Revaluation during the year	-	-	-	-	190,333,066	-	-	-	-	-	190,333,066
- revalued amount	-	-	-	-	(96,197,604)	-	-	-	-	-	(96,197,604)
- accumulated depreciation	-	-	-	-	(89,919,993)	-	-	-	-	-	(89,919,993)
- Depreciation charge for the year	-	(6,892,791)	(823,289)	(614,879)	(636,864)	(636,864)	(360,578)	(447,486)	(2,549,959)	(733)	(102,252,572)
Accumulated depreciation on disposals / write off	-	-	-	-	-	-	189,642	-	609,474	-	799,116
Closing net book value	31,121,190	90,069,145	7,833,460	11,682,707	916,650,754	5,742,879	3,767,199	1,470,946	10,264,695	6,596	1,078,609,571

As at June 30, 2018

Cost / revalued amount	31,121,190	205,881,958	33,786,869	20,617,154	1,868,827,257	10,997,010	6,862,275	5,564,150	31,585,173	80,470	2,215,323,506
Accumulated depreciation	-	(115,812,813)	(25,953,409)	(8,934,447)	(952,176,503)	(5,254,131)	(3,095,076)	(4,093,204)	(21,320,478)	(73,874)	(1,136,713,935)
Net book value	31,121,190	90,069,145	7,833,460	11,682,707	916,650,754	5,742,879	3,767,199	1,470,946	10,264,695	6,596	1,078,609,571

Depreciation rate

* Carried at revalued amount.

Year ended June 30, 2017

As at July 01, 2016

Cost / revalued amount	31,121,190	161,828,727	33,383,890	20,464,578	1,404,719,676	10,936,162	5,889,108	4,923,402	29,696,158	80,470	1,703,043,361
Accumulated depreciation	-	(102,816,610)	(24,206,366)	(7,677,056)	(754,868,238)	(3,912,427)	(2,667,631)	(3,836,150)	(16,215,921)	(72,326)	(916,272,725)
Net book value	31,121,190	59,012,117	9,177,524	12,787,522	649,851,438	7,023,735	3,221,477	1,087,252	13,480,237	8,144	786,770,636
Additions	-	-	-	152,576	3,284,920	41,999	630,511	976,300	-	-	5,086,306
Transfers from CWIP	-	13,508,692	-	-	296,201,008	-	-	-	2,557,315	-	312,267,015
Disposals	-	-	-	-	(73,000,954)	-	(72,000)	(572,414)	-	-	(73,645,368)
Write off	-	-	-	-	(2,402,307)	-	(96,248)	(355,500)	-	-	(2,854,055)
Depreciation for the year	-	(6,103,412)	(917,754)	(642,512)	(725,599,065)	(704,840)	(354,208)	(511,982)	(3,164,072)	(815)	(84,958,660)
Accumulated depreciation on disposals / write off	-	-	-	-	61,368,397	-	97,699	702,414	-	-	62,168,510
Closing net book value	31,121,190	66,417,397	8,259,770	12,297,586	862,743,437	6,360,894	3,427,231	1,326,070	12,873,480	7,329	1,004,834,384

As at June 30, 2017

Cost / revalued amount	31,121,190	175,337,419	33,383,890	20,617,154	1,628,802,343	10,978,161	6,351,371	4,971,788	32,253,473	80,470	1,943,897,259
Accumulated depreciation	-	(108,920,022)	(25,124,120)	(8,319,568)	(766,058,906)	(4,617,267)	(2,924,140)	(3,645,718)	(19,379,993)	(73,141)	(939,062,875)
Net book value	31,121,190	66,417,397	8,259,770	12,297,586	862,743,437	6,360,894	3,427,231	1,326,070	12,873,480	7,329	1,004,834,384

Depreciation rate

* Carried at revalued amount.

	Note	2018 Rupees	2017 Rupees
13.2	The depreciation charge for the year has been allocated as follows:		
Cost of goods sold	25	97,743,729	79,687,240
Distribution cost	26	513,224	535,503
Administrative expenses	27	3,995,619	4,735,917
		102,252,572	84,958,660

- 13.3** The Company had its plant and machinery revalued by independent valuer M/s Asif Associates (Private) Limited in March 2018 on the basis of depreciated replacement value. The revaluation surplus, net of deferred tax, is recognized in other comprehensive income and accumulated in equity under the heading of 'Surplus on revaluation of plant and machinery'. The forced sale value of plant and machinery based on valuation conducted in March 2018 was Rs 720 million.

An amount equal to incremental depreciation net of deferred tax for the year is transferred from "Surplus on revaluation of plant and machinery" to "Unappropriated profit" for recording realization of surplus to the extent of incremental depreciation net of deferred tax charged during the year.

- 13.4** Had there been no revaluation, the carrying amount of the plant and machinery would have been as follows:

Cost	1,662,780,821	1,613,088,973
Accumulated depreciation	(841,803,429)	(755,550,291)
Written down value	820,977,392	857,538,682

- 13.5** Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Total Area (in canals)	Usage of immovable property
46 KM. Lahore/Multan Road, Chunian Industrial Estate, Bhai Pheru, Distt. Kasur, Punjab	189.45	Manufacturing facility and Labour Colony
27-C, Abdalian Cooperative Housing Society Limited, Opposite Expo Center, Lahore, Punjab.	1.5	Marketing Office

- 13.6** NBV of disposed assets during the year and last year are lower than Rs. 500,000.

- 13.7 Capital work in progress**

	Vehicles	Civil work	Plant and machinery	Total
 Rupees			
As at July 1, 2016	2,330,742	776,995	9,282,942	12,390,679
Additions	226,573	17,943,413	291,601,616	309,771,602
Transferred to operating fixed assets	(2,557,315)	(13,508,692)	(296,201,008)	(312,267,015)
As at June 30, 2017	-	5,211,716	4,683,550	9,895,266
Additions	-	25,860,156	126,234,296	152,094,452
Transferred to operating fixed assets	-	(30,947,518)	(49,003,945)	(79,951,463)
As at June 30, 2018	-	124,354	81,913,901	82,038,255

		2018	2017
	Note	Rupees	Rupees
14. LONG-TERM LOANS			
Considered good - secured			
Loan to employees		1,489,815	1,464,532
Less: Recoverable within one year shown under current assets	19	(557,249)	(557,784)
	14.1	932,566	906,748
	Note	2018	2017
		Rupees	Rupees
14.1 Reconciliation of carrying amount of long term loans given is as follows:			
Balance at July 1,		1,464,532	1,891,989
Disbursements during the year		900,000	150,000
		2,364,532	2,041,989
Received during the year		(874,717)	(577,457)
Balance at June 30,		1,489,815	1,464,532
Current portion of long term loans		(557,249)	(557,784)
		932,566	906,748
14.2 These are interest bearing loans given for miscellaneous purposes and are recoverable in 60 equal monthly installments. These loans are secured against gratuity.			
15. LONG-TERM DEPOSITS			
Security deposits against:			
Utilities	15.1	29,984,081	29,984,081
Others		85,000	85,000
		30,069,081	30,069,081
15.1 These include deposits to utility companies mainly to Sui Northern Gas Pipelines Limited amounting to Rs. 27.297 million.			

16. STORES, SPARES AND LOOSE TOOLS

Stores		28,830,974	24,860,982
Spares		16,931,525	19,126,565
Loose tools		3,466,269	3,466,832
		49,228,768	47,454,379
Provision made during the year		1,712,307	742,253
Written off during the year	28	(1,712,307)	(742,253)
		-	-
Balance as at June 30		49,228,768	47,454,379

17. STOCK-IN-TRADE

Raw and packing materials			
in hand	25	165,653,646	110,335,884
in transit		-	15,467,330
Work-in-process	25	57,242,430	60,632,196
Finished goods, including goods-in-transit	17.1 , 17.2 & 25	285,013,290	233,765,946
		507,909,366	420,201,356
Provision for obsolete raw material			
Provision made during the year		59,848	154,104
Written off during the year		(59,848)	(154,104)
Balance as at June 30		-	-
		507,909,366	420,201,356

17.1 This includes finished goods in transit amounting to Rs.19.04 million (2017: Rs. nil).

17.2 This includes items costing Rs. 7.5 million (2017: Rs. 30.3 million) valued at net realizable value of Rs. 2.1 million (2017: Rs. 8.6 million).

	Note	2018 Rupees	2017 Rupees
18. TRADE DEBTS			
Secured - considered good			
Export	18.1 & 18.2	387,837,676	70,593,339
Unsecured - considered good			
Local		231,401,221	189,833,861
Unsecured - considered doubtful			
Doubtful debts		85,626,631	83,646,059
Provision for doubtful debts	18.5	(85,626,631)	(83,646,059)
		-	-
	18.4	619,238,897	260,427,200

- 18.1 These are secured against letters of credit in favor of the Company.
- 18.2 It includes receivable from FGE LLC (a related party) amounting to Rs 7,216,842 (2017: Rs. 4,953,210). The maximum amount due from related party at the end of any month during the year was Rs. Rs 15,289,820 (2017: Rs. 5,5235,575).
- 18.3 The aging of trade debts due from related party amounting to Rs. 7,216,842 (2017: Rs: 4,953,210) as at June 30, 2018 is neither past due nor impaired.
- 18.4 The aging of unimpaired trade debts is disclosed in note 37.4.

	Note	2018 Rupees	2017 Rupees
18.5 Movement of provision for doubtful debts			
Balance as at July 01		83,646,059	71,641,732
Provision made during the year	27	5,495,887	20,207,390
Reversal of provision against doubtful debts	30	(3,515,315)	(8,203,063)
		1,980,572	12,004,327
Balance as at June 30		85,626,631	83,646,059

As at June 30, 2018, trade debts aggregating Rs. 81.04 million (2017: Rs. 77.710 million) were past due for which Company has not made any provision. Based on past experience and past track record of recoveries, management believes that the said past due trade debts do not require any provision for impairment.

19. LOANS AND ADVANCES

Advances - considered good

Employees

Suppliers and contractors

Current portion of long-term loans

14

188,365	241,920
9,946,731	6,665,898
10,135,096	6,907,818
557,249	557,784
10,692,345	7,465,602

20. TRADE DEPOSITS AND PREPAYMENTS

Trade deposits against container

Prepayments

Subscription

Insurance

50,000	500,000
621,119	431,261
144,756	103,302
765,875	534,563
815,875	1,034,563

21. OTHER RECEIVABLES

Considered good

Export rebate

Others

47,226,294	24,661,623
-	38,360
47,226,294	24,699,983

22. OTHER FINANCIAL ASSETS

Investment - held-to-maturity

- Treasury Bills

22.1

-	7,591,787
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- 22.1 This represented investment made in 3 months Treasury Bills which were matured on August 17, 2017 with a mark-up rate of 5.99% per annum (2017: 5.99% per annum).

			2018 Rupees	2017 Rupees
23. CASH AND BANK BALANCES	Note			
Cash at bank - current accounts			24,896,289	6,127,747
Cash in hand			98,812	372,890
			24,995,101	6,500,637
24. SALES - NET				
Export	24.1		1,654,319,073	1,400,732,130
Indirect export			629,047,103	865,504,851
Local			1,637,353,979	1,254,800,471
			3,920,720,155	3,521,037,452
Export rebate			35,626,863	19,198,915
Waste sales			11,395,194	9,905,072
			3,967,742,212	3,550,141,439
Commission			(42,417,000)	(51,360,849)
			3,925,325,212	3,498,780,590
24.1	It includes sales made to related party FGE LLC amounting to Rs. 47.85 million (2017: Rs. 20.020 million).			
25. COST OF GOODS SOLD				
Raw and packing materials	25.1		2,982,131,850	2,633,263,541
Stores and spares	25.2		43,455,828	38,300,819
Manufacturing expenses				
Salaries, wages and benefits	25.3		184,684,259	181,525,698
Director's remuneration	35		5,333,580	5,294,300
Fuel and power			337,061,233	269,017,086
Repairs and maintenance			3,729,869	1,850,989
Insurance			6,648,896	5,642,388
Depreciation	13.2		97,743,729	79,687,240
Raw material written off	17		59,848	154,104
Equipment written off			-	164,822
Others			435,560	917,420
			3,661,284,652	3,215,818,407
Work-in-process				
Opening stock			60,632,196	48,219,644
Closing stock	17		(57,242,430)	(60,632,196)
			3,389,766	(12,412,552)
Cost of goods manufactured			3,664,674,418	3,203,405,855
Finished goods				
Opening stock			233,765,946	196,845,943
Purchase of finished goods			12,627,418	398,740
Sale of purchased finished goods			(12,998,812)	(1,060,750)
Closing stock	17		(285,013,290)	(233,765,946)
			(51,618,738)	(37,582,013)
			3,613,055,680	3,165,823,842
Outside processing charges			16,451,791	4,596,974
			3,629,507,471	3,170,420,816

			2018	2017
		Note	Rupees	Rupees
25.1	Raw and packing materials consumed			
	Opening stock		110,335,884	110,849,310
	Purchases		3,037,449,612	2,632,750,115
			3,147,785,496	2,743,599,425
	Closing stock	17	(165,653,646)	(110,335,884)
			2,982,131,850	2,633,263,541
25.2	Stores and spares consumed			
	Opening stock		47,454,379	50,290,708
	Purchases and related expenses		45,230,217	35,464,490
			92,684,596	85,755,198
	Closing stock	16	(49,228,768)	(47,454,379)
			43,455,828	38,300,819
25.3	Salaries, wages and benefits include Rs. 8,584,780 (2017: Rs. 9,182,395) in respect of staff retirement gratuity.			
26.	DISTRIBUTION COST			
	Export related			
	Ocean freight		36,104,905	32,324,828
	Insurance		1,200,695	763,391
	Forwarding		177,000	177,200
	Export duty		3,412,113	3,719,213
	Entertainment		9,803	18,885
	Postage and courier		221,943	268,786
	Fees and subscription		589,020	1,110,200
	Travelling and conveyance		2,654,307	3,277,888
	Other		1,153,825	773,554
			45,523,611	42,433,945
	Local			
	Salaries and benefits	26.1	21,379,380	20,533,622
	Local freight		2,505,315	2,505,237
	Travelling and conveyance		302,464	539,944
	Sales promotion		528,028	493,272
	Marketing office		1,919,693	1,599,499
	Depreciation	13.2	513,224	535,503
	Insurance		39,218	39,840
	Other		71,025	461,831
			27,258,347	26,708,748
			72,781,958	69,142,693

26.1 Salaries and benefits include Rs. 2,574,945 (2017: Rs. 2,876,533) in respect of staff retirement gratuity.

		2018	2017
	Note	Rupees	Rupees
27. ADMINISTRATIVE EXPENSES			
Salaries and benefits	27.1	54,964,974	49,038,445
Director's remuneration		9,740,000	10,060,000
Provision for doubtful debts	18.5	5,495,887	20,207,390
Travelling and conveyance		1,291,191	1,136,645
Vehicles running and maintenance		3,792,540	3,878,639
Telephone and fax		931,895	709,050
Postage and courier		322,043	226,140
Printing and stationery		1,351,840	1,475,806
Computer expenses		922,469	735,452
Rent, rates and taxes		723,567	728,503
Repairs and maintenance		714,423	608,789
Insurance		898,079	1,055,156
Auditors' remuneration	27.3	853,200	853,200
Legal and professional		1,539,923	1,013,350
Advertising		147,385	103,875
Entertainment		435,762	216,598
Fees and subscription		3,376,279	2,447,629
Donations	27.2	100,000	100,000
Depreciation	13.2	3,995,619	4,735,917
Share registrar services		204,310	150,110
Other		1,987,734	1,819,936
		93,789,120	101,300,630
27.1 Salaries and benefits include Rs.5,354,001 (2017: Rs. 2,876,533) in respect of staff retirement gratuity .			
27.2 None of the directors and their spouses had any interest in the donee's fund.			
27.3 Auditors' remuneration			
Audit fee		575,000	575,000
Half yearly review fee		75,000	75,000
Review of statement of compliance and other certifications		75,000	75,000
Out of pocket expenses		128,200	128,200
		853,200	853,200

		2018	2017
	Note	Rupees	Rupees
28. OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	9.2	4,543,400	6,335,495
Workers Welfare Fund		1,726,492	2,407,488
Property and equipment written off		170,334	85,409
Stores and spares written off	16	1,712,307	742,253
		8,152,533	9,570,645
29. FINANCE COST			
Mark-up on:			
Long-term finance		12,209,987	11,629,873
Short-term borrowings under markup arrangement		33,386,256	13,832,954
Short-term borrowings under musharakah finance		5,634,943	5,634,943
Discounting charges		1,843,236	4,088,639
Interest on Workers' Profit Participation Fund	9.2	253,854	260,368
Bank charges and commission		3,209,272	3,142,803
		56,537,548	38,589,580
30. OTHER INCOME			
Income from financial assets			
Recovery of doubtful debts	18.5	3,515,315	8,203,063
Return on bank deposits		-	15,893
Interest on Treasury Bills		173,813	428,854
Income from other than financial assets			
Net income / (loss) from trading	30.1	578,670	(36,762)
Exchange gain		15,692,626	6,401,861
Gain / (loss) on disposal of property, plant and equipment		81,094	(6,802,228)
		20,041,518	8,210,681
30.1 Net income / (loss) from trading			
Sales - Local		13,588,584	1,025,650
Cost - Purchases and related expenses		(13,009,914)	(1,062,412)
		578,670	(36,762)
31. TAXATION			
Current			
for the year		38,812,315	5,371,089
Deferred		(22,314,872)	6,617,159
	31.1	16,497,443	11,988,248

	2018 Rupees	2017 Rupees
31.1 Relationship between income tax expense and accounting profit:		
Profit before taxation	84,598,100	117,966,907
Tax rate %	30 %	31 %
Tax on accounting profit	25,379,430	36,569,741
Effect of income subject to final tax regime	6,708,509	2,214,071
Effect of income subject to minimum tax	11,412,521	3,875,046
Effect of tax credits	(4,969,185)	(29,948,593)
Effect on deferred tax balances due to change in rate	(7,765,899)	188,401
Effect of deferred tax asset on minimum tax	(14,673,885)	-
Others	405,950	(910,419)
Tax charge for the year	16,497,443	11,988,248

31.2 The return of income for the tax year 2017, has been filed as per the provision of section 120 of the Income Tax Ordinance, 2001. Under this section when a complete return of income is filed with the Commissioner, it results in deemed assessment of taxable income / loss and tax payable / refundable on the date return is filed.

31.3 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analysed as follows:

	Tax year		
	2017	2016	2015
	Rupees	Rupees	Rupees
Deemed assessment	5,371,089	29,787,997	19,995,037
Provision	5,371,089	29,787,967	19,995,037

31.4 The Commissioner Inland Revenue, Zone-III, RTO, Lahore passed amended assessment orders under Section 122(5A) of the Income Tax Ordinance, 2001 pertaining to the tax years 2010, 2011 and 2013 raising additional demands of Rs. 65.22 million in aggregate. The Company filed appeals against the orders, the Commissioner Inland Revenue (Appeals-III), Lahore has confirmed the orders passed by the Commissioner Inland Revenue. The Company filed rectification applications under Section 221 of the Income Ordinance, 2001 and after allowing certain rectifications the remaining outstanding demand of Rs 46.55 million has been adjusted by tax department against refund available to the company. The Company has filed appeals for all three years before the Appellate Tribunal Inland Revenue, Lahore which are pending for hearing. No provision has been made in these financial statements as the management, based on the opinion of tax advisor, is confident that the ultimate outcome of these cases will be in favour of the Company.

32. EARNINGS PER SHARE - BASIC AND DILUTED

	2018	2017
Profit after taxation for the year	Rupees 68,100,657	105,978,659
Weighted average number of ordinary shares in issue	Number 9,660,000	9,660,000
Earnings per share - basic and diluted	Rupees 7.05	10.97

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

33. CHANGES ARISING FROM FINANCING ACTIVITIES

The table below states changes in the Company's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	June 30, 2017	Financing cash inflows	Financing cash outflows	Non cash changes Transfer current portion	June 30, 2018
-----Rupees-----					
Long-term finances	298,279,000	33,354,200	-	(44,235,439)	287,397,761
Current portion of long term finances	29,580,000	-	(29,580,000)	44,235,439	44,235,439
Dividend payable	8,773,646	-	(47,615,258)	48,300,000	9,458,388
Short term borrowing (FE-25)	155,634,157	-	(155,634,157)	-	-

	June 30, 2016	Financing cash inflows	Financing cash outflows	Non cash changes - Transfer current portion	June 30, 2017
-----Rupees-----					
Long-term finances	82,276,000	245,583,000	-	(29,580,000)	298,279,000
Current portion of long term finances	50,205,540	-	(50,205,540)	29,580,000	29,580,000
Unclaimed dividend	7,874,908	-	(42,571,262)	43,470,000	8,773,646
Short term borrowing (FE-25)	-	155,634,157	-	-	155,634,157

	Note	2018 Rupees	2017 Rupees
34. CASH AND CASH EQUIVALENTS			
Short-term borrowings - Running finances under markup arrangement	11	(776,296,294)	(274,804,622)
Other financial asset	22	-	7,591,787
Cash and bank balances	23	24,995,101	6,500,637
		(751,301,193)	(260,712,198)

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2018			2017		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	Rupees					
Remuneration	3,840,000	2,808,960	14,847,120	3,840,000	2,569,200	11,823,405
Bonus	650,000	321,100	1,620,800	650,000	281,100	1,192,800
Retirement benefits	650,000	351,100	1,855,800	650,000	321,100	1,477,800
House rent	1,800,000	842,448	4,453,056	1,800,000	770,160	3,545,562
Ex-gratia	640,000	448,180	2,317,844	960,000	588,900	2,602,353
Medical	1,080,000	280,896	1,484,712	1,080,000	256,920	1,182,317
Utilities	1,080,000	280,896	1,484,712	1,080,000	256,920	1,182,317
Performance reward	-	-	-	-	250,000	1,250,000
Leave encashment	-	-	634,038	-	-	543,824
	9,740,000	5,333,580	28,698,082	10,060,000	5,294,300	24,800,378
Number of persons	1	1	8	1	1	7

- 35.1** In addition, the Chief Executive is provided with Company's owned and maintained car for personal and official use.
- 35.2** In addition, the Executive Director and Executives are provided with Company's owned and maintained cars for official use.
- 35.3** Fee paid to other non-executive directors during the year amounted to Rs. 1,640,000 (2017: Rs. 875,000) on account of meeting fee.
- 35.4** Comparative figures have been changed to reflect changes in the definition of executive as per Companies Act, 2017.

36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, director & key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. Amounts due from and to related parties have been disclosed in the notes to the financial statement as follows:

- Due to associated undertakings under payables in note 9;
- Remuneration of key management personnel is disclosed in note 35;
- Due from other related party under trade debts in note 18.

Other significant transactions with related parties are as follows:

Relationship with the Company	% of Shareholding / other basis of relationship	Name	Nature of transactions	2018 Rupees	2017 Rupees
Associated undertakings	Nil/ Common directorship	Shahnawaz (Private) Limited	Computers, computer supplies and others purchases	539,713	870,649
			Services received for office facility	678,032	650,532
			Software development charges	232,500	107,500
	11.9/ Common directorship	Shahtaj Sugar Mills Limited	Services received for vehicle repair and other computer related	-	4,524
			Dividend paid	5,750,000	5,175,000
	Nil/ Common directorship	Shezan International Limited	Purchase of goods	157,317	197,256
			Information Systems		
Other related parties	Nil/ Common directorship	Associates Limited	Website maintenance	39,600	36,000
Directors	Nil/ Close family member	FGE LLC	Sale of fabric	47,850,836	20,020,605
			Commission on sales	3,231,767	4,478,988
			Dividend paid	11,518,675	9,016,808
37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES					
37.1 Financial instruments by category					
Financial assets as per statement of financial position					
Held to maturity					
Other financial assets				-	7,591,787
				2018	2017
				Rupees	Rupees
Loans and receivables at amortized cost					
Long-term loans				932,566	906,748
Long-term deposits				30,069,081	30,069,081
Trade debts				619,238,897	260,427,200
Loans and advances				745,614	799,704
Trade deposits				50,000	500,000
Other receivables				-	38,360
Cash and bank balances				24,995,101	6,500,637
				676,031,259	299,241,730

	2018	2017
	Rupees	Rupees
Financial liabilities as per statement of financial position		
Financial liabilities measured at amortized cost		
Long-term financing	331,633,200	327,859,000
Trade and other payables	386,679,194	226,633,451
Interest accrued	15,392,909	6,750,670
Short-term borrowings	776,296,294	430,438,779
Unclaimed dividend	9,458,388	8,773,646
	1,519,459,985	1,000,455,546

37.2 Financial risk factors

Introduction and overview

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

- market risk
- credit risk
- liquidity risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, Company's objectives, policies and processes for measuring and managing risk, fair value of financial instruments and the Company's management of capital.

The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in Company's activities but it is managed through monitoring and controlling activities which are based on internal controls set on different activities of the Company by the Board of Directors. These controls reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept.

The Board along with the Company's finance department oversees the management of the financial risks reflecting changes in the market conditions and also the Company's risk taking activities providing assurance that these activities are governed by appropriate procedures and that the financial risk are identified, measured and managed in accordance with the Company risk appetite.

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

37.3.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Under market risk the Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and bank balances in foreign currency. The Company's exposure to foreign currency risk is as follows:

	June 30, 2018		
	USD	EURO	Total
	-----Rupees-----		
Trade and other receivables	212,457,588	175,380,089	387,837,677
Trade and other payables	(76,145,659)	(9,231,697)	(85,377,356)
Net exposure	136,311,929	166,148,392	302,460,321

	June 30, 2017		
	USD	EURO	Total
	-----Rupees-----		
Trade and other receivables	62,820,782	7,772,557	70,593,339
Trade and other payables	(21,241,526)	(4,712,349)	(25,953,875)
Net exposure	41,579,256	3,060,208	44,639,464

	Average rate		Reporting date rate	
	2018	2017	2018	2017
	-----Rupees-----			
USD	110.67	104.73	121.40	104.9
Euro	131.86	114.19	141.33	120.03

At June 30, 2018, if the Pakistani Rupee had weakened / strengthened by 10% against the US Dollar and Euro with all other variables held constant, profit for the year would have been lower / higher by Rs. 14.13 million (2017: Rs. 4.42 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar and Euro -denominated trade debts and trade payables.

(b) Interest rate risk management

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

The Company's interest rate risk arises from bank deposit accounts, long term finance and short term borrowings amounting to Rs.1,107.9 million (financial liabilities on a net basis) (2017: Rs. 758.2 million). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

<i>Variable rate instruments</i>	Carrying amount	
	2018	2017
Financial liabilities		
- Short term borrowings	776,296,294	430,438,779
Net financial liabilities at variable interest rates	(776,296,294)	(430,438,779)

Cash flow sensitivity analysis for variable rate instrument

A change of 100 basis points in interest rates at the year end would have increased or decreased the profit / loss for the year and shareholder's equity by Rs. 11.079 million (2017: Rs. 7.58 million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2017.

<i>Fixed rate instruments</i>	Interest rate		Carrying amount	
	2018	2017	2018	2017
	------%-----		Rupees	
Financial liabilities - long term finances	7.70%	7.70%	44,369,000	73,949,000
	2.75%	2.75%	253,910,000	253,910,000
	2.50%	-	33,354,200	-
Net financial liabilities at fixed interest rates			331,633,200	327,859,000

Cash flow sensitivity analysis for fixed rate instrument

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.

(c) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at year end, there are no financial instruments of the Company which are subject to equity price risk.

37.4 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Out of the total financial assets of Rs. 676.03 million (2017: Rs. 306.83 million), the financial assets which are subject to credit risk amounted to Rs. 675.93 million (2017: Rs. 306.5 million).

The Company is exposed to credit risk from its operating activities (primarily for trade debts and loans and advances) and from its investing activities, including deposits with banks and financial institutions and other financial instruments. The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating.

Credit risk related to receivables

The Company's main credit exposure is with trade receivables. The Company has adopted a policy of only dealing with creditworthy counterparties and majority of the transactions are made through post dated cheques. Further, the Company's credit exposure is continuously monitored and the aggregate value of transactions are spread amongst approved counterparties, and overdue counterparties are pursued efficiently by the management for recovery. 55% (2017: 21%) of the credit exposure of the Company at year end is secured against letters of credit or other form of security.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate. The major credit exposure of the Company from its top 10 customers is 78%(2017:81%) of the total trade receivables as at year end. The breakup of outstanding export sales made in each foreign jurisdiction along with break up into confirmed LC, contract or other significant categories is provided below:

Geographical Location	Category		Total
	LC	Contract	
	----- Rupees -----		
Indonesia	96,413,166	8,839,480	105,252,646
Spain	175,380,088	-	175,380,088
Italy	-	37,440,733	37,440,733
USA	43,028,471	7,216,842	50,245,313
Belgium	-	-	-
Kenya	-	17,418,433	17,418,433
Srilanka	-	2,100,463	2,100,463
	314,821,725	73,015,951	387,837,676

The total exposure of the Company in trade debts is Rs. 704.865 million (2017: Rs. 344.073 million), which has been discussed as follows:

The Company has the policy to grant credit of 7 days to 150 days to their customers. The exposure of the Company in trade receivables, which are neither overdue nor impaired, is Rs. 538.198 million (2017: Rs. 182.416 million)

Trade debtors, which have crossed their credit days limits, amounting to Rs. 166.667 million (2017: Rs. 161.357 million) for which the company has provided Rs. 85.627 million (2017: 83.646 million) and the remaining amounts are still considered recoverable.

The aging of such overdue but not impaired trade receivables is as follows:

	2018	2017
	Rupees	Rupees
Less than 1 month	43,673,341	66,285,905
1 - 3 months	12,544,341	5,098,140
3 - 6 months	15,149,877	-
6 months - 1 year	9,548,367	710,527
1 - 3 years	77,081	120,101
Over 3 years	47,666	5,495,887
	81,040,673	77,710,560

The aging of overdue and impaired trade receivables is as follows:

Over 3 Years	85,626,631	83,646,059
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37.5 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 customers by securing them against letters of credit.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and long-term loans. 74% of the Company's long-term and short-term debt will mature in less than one year at June 30, 2018 (2017: 61%) based on the carrying value of borrowings as given below. However, the Company has an un-availed aggregated short-term and long-term borrowings facilities of Rs. 684 million (2017: Rs. 1,030 million) which can be utilized to encounter unseen liquidity problems.

37.5.1 Liquidity and interest risk table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	2018			
	Long-term finance	Short-term borrowings	Trade and other payables	Interest accrued
	Rupees			
With in 1 year	44,235,478	776,296,294	386,679,194	15,392,909
1 - 5 years	287,397,722	-	-	-
	331,633,200	776,296,294	386,679,194	15,392,909
	1,222,603,875	1,510,001,597		

Weighted average effective rate of interest	3.7%	6.5%	-	-	-
---	------	------	---	---	---

	2017				
	Long-term finance	Short-term borrowings	Trade and other payables	Interest accrued	Total
	Rupees				
With in 1 year	29,580,000	430,438,779	226,633,451	6,750,670	693,402,900
1 - 5 years	298,279,000	-	-	-	298,279,000
	<u>327,859,000</u>	<u>430,438,779</u>	<u>226,633,451</u>	<u>6,750,670</u>	<u>991,681,900</u>

Weighted average effective rate of interest	5.10%	5.30%	-	-	-
---	-------	-------	---	---	---

37.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.
- operational and qualitative track record of the plant and equipment supplier and related service providers.

38 Fair values of financial assets and liabilities

- (a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

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

(b) Fair Value Estimation

The Company discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy:

- **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).

There were no transfers between Level 1 and 2 in the year.

- 38.1** There are no assets or liabilities to classify under above levels except the Company's plant and machinery are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses, if any. The fair value measurements of the Company's plant and machinery carried out as at March 2018, were performed by M/s Asif Associates (Private) Limited (valuer), an independent valuer not related to the Company, using depreciable method. The valuer is listed on panel of Pakistan Banks Association and they have appropriate qualification and experience in the fair value measurement of properties, plant and machinery.

Details of Company's free hold land, buildings on leasehold land and plant and machinery and information about the fair value hierarchy as at end of June 30, 2018 are as follows:

	June 30, 2018			Total
	Level 1	Level 2	Level 3	
Plant and machinery	-	916,650,754	-	916,650,754
<hr/>				
	June 30, 2017			Total
	Level 1	Level 2	Level 3	
Plant and machinery	-	862,743,437	-	862,743,437
<hr/>				

39. CAPITAL RISK MANAGEMENT

The objectives of the Company when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The capital structure of the Company consists of share capital and reserves as well as debts of the Company. Share capital and reserves consist of share capital, reserves and unappropriated profit and debts consist of short-term borrowings and long-term financing. The Company manages its capital structure by monitoring return on total capital employed and makes adjustments to it in the light of changes in economic conditions and monitoring its gearing ratio. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders, issue new shares or adjust its debts. The Company's overall strategy is to reduce the gearing ratio gradually. The gearing ratio analysis is as follows:

	Note	2018 Rupees	2017 Rupees
Total borrowings		1,107,929,494	758,297,779
Less: Cash and bank balances		(24,995,101)	(6,500,637)
Net debt		1,082,934,393	751,797,142
Total equity		1,059,139,471	954,840,432
Total capital employed		2,142,073,864	1,706,637,574
Gearing ratio		51%	44%

40. OPERATING SEGMENT

- 40.1** These financial statements have been prepared on the basis of single reportable segment.
- 40.2** Revenue from sales of fabric represents 99.66% (2017: 99.97%) of total revenue whereas, remaining represents revenue from trading.
- 40.3** All non current assets of the Company as at June 30, 2018 are located in Pakistan.
- 40.4** 58% (2017: 60%) of sales of fabric are local and indirect export whereas 42% (2017: 40%) of sales are export / foreign sales. All sales were made to external customers except one related party to which 1.2% (2017: 0.6%) of sales were made.
- 40.5** Revenue from three major customers of the Company represent 43% (2017: 45%) of total revenue of the Company.

41. PLANT CAPACITY AND ACTUAL PRODUCTION

Number of looms installed		178	178
Number of looms worked		178	178
100% Plant capacity at 60 picks (Sq. Meters)		64,626,537	62,649,507
Actual production converted to 60 picks (Sq. Meters)	41.1	57,805,220	55,698,858
Shifts per day (12 hours shift)		2	2
Number of days worked during the year		365	365

41.1 Calculation of rated capacity is based on a fixed fabric width and looms speed. In actual these factors vary with the ever changing qualities under production. Further, 100% efficiency level is notional and in practice elusive, hence, actual production figure is less than the rated capacity.

2018 2017

42. NUMBER OF PERSONS EMPLOYED

Number of employees at June 30	567	574
*This includes 540 (2017: 548) number of factory employees.		
Average number of employees during the year	571	577
**This includes 544 (2017: 551) number of factory employees.		

43. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

Subsequent to year end, the directors propose to pay cash dividend of Rs.2.75 (2017: Rs. 5) 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 reflected as a liability in these financial statements, which will be accounted for subsequently after the approval of shareholders.

44. CORRESPONDING FIGURES

Corresponding figures have been reclassified / rearranged, wherever necessary.

45. DATE OF AUTHORIZATION FOR ISSUE


These financial statements have been approved by the Board of Directors of the Company and authorized for issue on September 27, 2018 .

46. GENERAL

Figures have been rounded off to the nearest Rupee.


(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer









(Muneer Nawaz)
Chairman










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PROXY FORM

Please quote

Folio No./CDC A/C No.	Shares Held

I/We _____ of _____
in the district of _____ being a member of SHAHTAJ TEXTILE LIMITED
hereby appoint _____ of _____
as my/our proxy to vote for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be
held on Friday, 26th October, 2018 and at any adjournment thereof.

As witnessed given under my/our hand(s) this _____ day of _____ 2018.

Witness Signature _____

Name: _____

C.N.I.C. No. _____

Member's Signature on
Applicable Revenue Stamp

Notes:

1. This form of Proxy must be deposited duly completed, at the company's Registered Office, not less than 48 hours before the meeting
2. A Proxy of individual members must be a member of the Company.
3. In case of corporates the Board of Directors' resolution/power of attorney with the specimen signature shall be submitted along with proxy form to the company
4. Signature should agree with the specimen signature registered with the Company.
5. For CDC account holders and corporates in addition to the above following requirements have to be met:
 - i) Attested copy of C.N.I.C. or the passport of the beneficial owner shall be provided with proxy form.
 - ii) Proxy shall produce his/her original C.N.I.C. or original passport at the time of meeting.

پراکسی فارم

درج ذیل پُر کریں

تعداد حصص	فولیو / CDC اکاؤنٹ نمبر

میں مسٹی / مسماة _____ ساکن _____
 ضلع _____ بحیثیت ممبر شاہ تاج ٹیکسٹائل لمیٹڈ، مسٹی / مسماة _____ ساکن _____
 کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے انٹیمو اوں اجلاس عام جو
 بتاریخ 26 اکتوبر 2018ء بروز جمعہ منعقد ہو رہا ہے میں اور اس کے کسی ملتی شدہ اجلاس میں ووٹ ڈالے۔

دستخط گواہ: _____
 نام: _____
 قومی شناختی کارڈ نمبر: _____

مطلوبہ ریپریزنٹنگ چپاں کر کے ممبر کے دستخط

تاریخ: _____

نوٹ:

- ۱۔ مکمل پُر شدہ پراکسی فارم کمپنی کے رجسٹرڈ آفس میں میٹنگ سے 48 گھنٹے قبل جمع کرایا جانا لازمی ہے۔
- ۲۔ تمام ممبران کے لئے ضروری ہے کہ جس کو پراکسی دیں وہ بھی کمپنی کا ممبر ہو۔
- ۳۔ کارپوریٹ ممبران کے لئے پراکسی فارم کے ساتھ پراکسی کے حق میں بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی بمع نمونہ کے دستخط کا جمع کروایا جانا ضروری ہے۔
- ۴۔ دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔
- ۵۔ CDC میں اکاؤنٹ رکھنے والے اور کارپوریٹ ممبران کے لئے مندرجہ بالا کے علاوہ درج ذیل شرائط کو پورا کرنا بھی ضروری ہے:
 - i۔ پراکسی جس کے حق میں ہو اس کا شناختی کارڈ یا پاسپورٹ کی ایک تصدیق شدہ نقل پراکسی کے ساتھ لگائی جائے۔
 - ii۔ پراکسی جس کے حق میں ہو وہ اجلاس میں شریک ہوتے وقت اصل شناختی کارڈ یا پاسپورٹ پیش کرے۔

