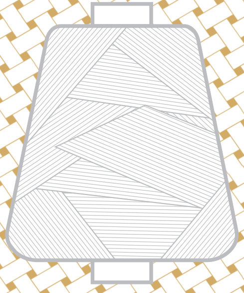
30th Annual Report 2017



Khalid Siraj Textile Mills Ltd.

KHALID SIRAJ TEXTILE MILLS LIMITED
30TH ANNUAL
REPORT 2017

C O N T E N T S

COMPANY INFORMATION

CHIEF EXECUTIVE OFFICER	-	MIAN TAYYAB IQBAL
DIRECTORS	-	MIAN TAHIR IQBAL
	-	KHAWAJA HAMZA RIAZ
	-	KHAWAJA PERVAIZ ASLAM
	-	MR. AMIR JAHANGIR
	-	MRS. RUKHSANA ARIF
	-	MR. MUHAMMAD ASIF (NIT NOMINEE)
AUDIT COMMITTEE		
- CHAIRMAN	-	MRS. RUKHSANA ARIF
- MEMBERS	-	KHAWAJA HAMZA RIAZ
	-	MR. AMIR JAHANGIR
HR COMMITTEE		
- CHAIRMAN	-	MIAN TAHIR IQBAL
- MEMBERS	-	KHAWAJA HAMZA RIAZ
	-	MR. AMIR JAHANGIR
COMPANY SECRETARY	-	HAJI TARIQ SAMAD
BANKERS	-	NATIONAL BANK OF PAKISTAN
	-	HABIB BANK LIMITED
	-	FAYSAL BANK LIMITED
	-	DUBAI ISLAMIC BANK PAKISTAN LIMITED
	-	HABIB METROPOLITAN BANK LIMITED
AUDITORS	-	KAMRAN & CO. CHARTERED ACCOUNTANTS A/2, INGOLA APPARTMENTS, 24-JAIL ROAD, LAHORE
INTERNAL AUDITOR	-	MR. MUHAMMAD NAEEM WAZIR
LEGAL ADVISOR	-	MR. MAJID ALI RANA (ADVOCATE)
SHARE REGISTRAR	-	M/S. CORPLINK (PVT) LIMITED WINGS ARCADE, 1-K, COMMERCIAL, MODEL TOWN, LAHORE PH: 042-35916714, FAX: 042-35869037
REGISTERED OFFICE	-	135 - UPPER MALL, LAHORE.
WEBSITE ADDRESS	-	www.kstml.com
MILLS	-	48 - KM, LAHORE - MULTAN ROAD, PHOOL NAGAR (BHAI PHERU), TEHSIL PATTOKI, DISTT. KASUR.

Vision

To accomplish, build up and sustain a good reputation of the project in textile sector locally and globally by manufacturing and marketing high quality of yarn through team work by means of honesty, integrity and commitment.

Mission

To provide maximum satisfaction to customers by supplying fine quality yarn for knitting and Weaving for well known textile Brands through effective utilization of men, material and machines by encouraging, supporting and rewarding the employees and sharing profits with our shareholders. We do have social responsibility towards our community in which we operate and we are committed to safety, health and environment in all our operations.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of the shareholders of Khalid Siraj Textile Mills Limited will be held on Monday, November 27, 2017 at 10:00 a.m. at the registered office of the company i.e. 135-Upper Mall, Lahore, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Annua General Meeting of the shareholders held on October 31, 2016.
2. To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2017.
3. To appoint Auditors for the year ending June 30, 2018 and fix their remuneration. The retiring Auditors are eligible for re-appointment.
4. To transact any other business with the permission of the Chair.

By order of the Board
Khalid Siraj Textile Mills Limited

Lahore
Dated: November 06, 2017

Haji Tariq Samad
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from November 20, 2017 to November 27, 2017 (both days inclusive)
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her.
3. The instrument appointing a proxy must be received at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. An individual beneficial owner of CDC entitled to attend and vote at this meeting, must bring his/her CNIC or Passport in original to prove his/her identity and in case of a proxy, must enclose an attested copy of his/her CNIC or Passport along with CDC A/C No. Representatives of corporate members should bring the usual documents required for such purpose.
5. Shareholders are requested to promptly notify the change in their addresses, if any, to the Company Registrar i.e. M/S Corplink (Pvt) Ltd., Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 042-35916714, Fax: 042-35869037.

DIRECTORS' REPORT TO THE SHAREHOLDERS

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

DEAR SHAREHOLDERS:

The Directors of your Company welcome you at the 30th Annual General Meeting and are pleased to present the Audited Accounts and Auditors Report thereon for the year ended June 30, 2017.

The Company resumed its operations in the current financial year which is a very positive signal for the company. The management is hopeful that the company will be back to profitable operations in the coming years.

APPROPRIATIONS

	2017	2016
	Rupees	
Loss before taxation	(60,039,681)	(43,294,510)
Taxation	(1,600,367)	(6,652,465)
Loss after taxation	(61,640,048)	(49,946,975)
Other comprehensive income for the year		
Incremental depreciation of surplus on revaluation of property, plant and equipment realized for the year (net of tax)	20,319,693	11,330,461
Other comprehensive income for the year (net of tax)	20,319,693	11,330,461
Total comprehensive loss for the year	(41,320,355)	(38,616,514)
Loss per share (basic and anti-dilutive)	(5.76)	(4.67)

CORPORATE AND FINANCIAL REPORTING FRAME WORK

The Board of Directors state that:

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 by the company;

c) Appropriate accounting policies have been consistently applied in preparation of financial statements based on reasonable and prudent judgement;

d) International Financial Reporting Standards (IFRS), 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 is no significant doubt the company's ability to continue as a going concern;

g) The main reason for non declaration of dividend is after tax loss of Rs. 61.640 million;

h) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;

PATTERN OF SHAREHOLDINGS

A statement reflecting the pattern of shareholdings is attached to the Annual Report on page 10-11.

KEY OPERATING AND FINANCIAL DATA

A statement summarizing the key operating and financial data of last seven years along with current year is attached to the Annual Report on page 12.

STATUTORY PAYMENTS

As on the closing date, no government taxes, duties, levies and charges were outstanding/overdue except the routine payments of various levies.

TRADE IN THE SHARES OF THE COMPANY

There was no trading in the shares of the Company by the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children during the year under review.

BOARD MEETINGS

During the period under consideration, four (4) meetings were held and the attendance by the respective Directors was as follows:

DIRECTORS	NUMBER OF MEETINGS ATTENDED
Mian Tayyab Iqbal	4
Mian Tahir Iqbal	4
Mrs. Rukhsana Arif	3
Khawaja Hamza Riaz	4
Mr. Amir Jahangir	4
Mr. Muhammad Asif (NIT Nominee)	4

Leave of absence was granted by the board to the non attending directors.

FUTURE PROSPECTS

The Management of the company is taking steps to restart the operation of the mills. For this purpose, the directors of the company are making strong efforts to arrange funds in the near future.

AUDITORS

The Auditors M/s.Kamran & Co., Chartered Accountants, are retiring at the conclusion of the Annual General Meeting, scheduled to be held on 27-11-2017. The retiring auditors have offered their services for re-appointment.

MANAGEMENT / EMPLOYEES RELATIONS

The labour management relations remained cordial throughout the year. The Directors take the opportunity to express their appreciation of the spirit of understanding and good will reciprocated by the workers of the company. We trust that this spirit of harmony and mutual understanding will prevail in the times to come, Insha Allah.

Your Directors also place on record their appreciation for the loyalty and devotion to duty of the officers and members of the staff of the company.

APPRECIATION

The Directors place on record their appreciation for the support and co-operation extended by its bankers and other financial institutions to the company.

For and on behalf of the Board of Directors

MIAN TAYYAB IQBAL
CHAIRMAN/CHIEF EXECUTIVE OFFICER

Lahore: November 03, 2017.

Statement of Compliance with the Code of Corporate Governance
KHALID SIRAJ TEXTILE MILLS LIMITED
For the year ended 30 June 2017

This statement is being presented to comply with Code of Corporate Governance (the Code) contained in Regulation No. 35 of listing regulations of Karachi and Lahore stock exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in

The company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its board of directors. At present the board includes:

Category	Names
Independent Director	None
Executive Directors	Mian Tayyab Iqbal Mian Tahir Iqbal
Non - Executive Directors	Khawaja Hamza Riaz Mr. Amir Jahangir Khawaja Pervaiz Aslam Mrs. Rukhsana Arif Mr. Muhammad Aisf (NIT Nominee)

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident director of the company are registered as tax payers and none of them has defaulted in payment of any loan to a Banking Company, a Development Finance Institution or a Non Banking Financial Institution or, being a member of a Stock Exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board of directors during the year ended 30 June 2017.
5. The company has prepared a "Code of Conduct" and has insured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other Executives and non-executive directors, have been taken by the Board / shareholders.
8. The meetings of the Board were presided over by the Chairman or by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of meetings were appropriately recorded and circulated.
9. The Company arranged orientation course for all its seven directors, who are fully aware of their duties and responsibilities. However, another fresh course for the directors will be arranged very shortly and no training program has been arranged during the year.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The director's report for this year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises of 3 members, of whom, all are non-executive directors and the Chairman of the committee is a not an independent director but a non-executive director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the Committee for compliance.
17. The board has also formed a HR and Remuneration Committee. It comprises of 3 members, of whom 2 are non-executive directors and the Chairman of the committee is an executive director.
18. The Board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partner of the firm, their spouses and 'minor children do not hold shares of the Company and that the firm all its partners are in compliance with international federation of accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through all the stock exchanges.
23. The board evaluation process has been implemented to evaluate the Board as a whole.
24. We confirm that all other material principles enshrined in the Code have been complied with except for the matters stated in para 1 and 9 toward which reasonable progress is being made by the Company to seek compliance by the end of the next fiscal year.

For and on behalf of the Board
MIAN TAYYAB IQBAL
CHIEF EXECUTIVE OFFICER
CNIC # 35202-7317351-7

Lahore: November 03, 2017

KAMRAN & CO.
CHARTERED ACCOUNTANTS

103, Golden Plaza Fazal-e-Haq Road, Blue Aea, Islamabad - Pakistan.
Tel: +92 (051) 2100925
E-contacts: kamil@kamranco.com.pk, kamil.fatah@gmail.com

REVIEW REPORT TO THE MEMBERS'

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices ('the Statement') contained in the Code of Corporate Governance ('the Code') for the year ended 30 June 2017 prepared by the Board of Directors of KHALID SIRAJ TEXTILE MILLS LIMITED ('the Company') to comply with the Listing Regulations number 35 of Pakistan Stock Exchange where the Company is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls 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.

Further, Listing Regulations of Pakistan Stock Exchange require the Company to place before the audit committee, and upon recommendation of the audit committee, place before the Board of Directors for their consideration and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, because of the matters stated in para (a) below, the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2017.

a) The company does not operate fully under the best practices contained in the code of coporate Governance as applicable to the company including non operative internal audit function, non appointment of independant director,non certification of director's taining program and various other non compliances to the Code of Corporate Governance as applicable to the company.

We have also expressed an adverse opinion in our audit report to the financial statements for the year ended 30 June 2017.

KAMRAN & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Kamil Fatah (ACA)

Islamabad
Dated : November 03, 2017

PATTERN OF SHAREHOLDING

1. Incorporation Number **0017345**
2. Name of the Company **KHALID SIRAJ TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the shareholders as at **30/06/2017**

4. No. of Shareholders	From	----Shareholding---- To	Total Shares Held
486	1	100	20,790
298	101	500	94,948
234	501	1,000	153,603
223	1,001	5,000	491,117
41	5,001	10,000	300,089
2	10,001	15,000	28,600
6	15,001	20,000	108,969
2	20,001	25,000	50,000
2	25,001	30,000	51,500
1	30,001	35,000	33,000
7	35,001	40,000	257,900
1	40,001	45,000	44,000
1	45,001	50,000	48,000
1	55,001	60,000	56,129
3	60,001	65,000	188,413
2	70,001	75,000	149,400
1	80,001	85,000	82,500
1	85,001	90,000	86,567
1	100,001	105,000	102,800
3	105,001	110,000	324,712
10	110,001	115,000	1,128,987
2	145,001	150,000	298,530
2	150,001	155,000	305,790
1	155,001	160,000	159,160
1	160,001	165,000	162,500
1	240,001	245,000	240,750
1	295,001	300,000	299,600
1	305,001	310,000	306,062
1	365,001	370,000	369,973
1	370,001	375,000	373,002
1	380,001	385,000	382,232
1	395,001	400,000	399,431
1	420,001	425,000	420,304
1	545,001	550,000	546,682
1	550,001	555,000	553,840
1	680,001	685,000	682,998
2	695,001	700,000	1,397,122
1345			10,700,000

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	142,929	1.335785
5.2 Associated Companies, undertakings and related parties. (Parent Company)	0	0.000000
5.3 NIT and ICP	7,900	0.073832
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	4,899	0.045785
5.5 Insurance Companies	420,304	3.928075
5.6 Modarabas and Mutual Funds	694,233	6.488159
5.7 Share holders holding 10% or more	0	0.000000
5.8 General Public		
a. Local	9,326,958	87.167832
b. Foreign	0	0.000000
5.9 Others (to be specified)		
1- Joint Stock Companies	36,243	0.338720
2- Pension Funds	64,042	0.598523
3- Others Companies	2,492	0.023290

CATEGORIES OF SHAREHOLDING REQUIRED UNDER CODE OF CORPORATE GOVERNANCE (CCG) AS ON JUNE 30, 2017

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
Mutual Funds (Name Wise Detail)			
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	682,998	6.3832
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MIAN TAYYAB IQBAL	130,929	1.2236
2	KHAWAJA PERVAIZ ALSAM	500	0.0047
3	MIAN TAHIR IQBAL	10,000	0.0935
4	MR. AMIR JAHANGIR	500	0.0047
5	MRS. RUKHSANA ARIF	500	0.0047
6	KHAWAJA HAMZA RIAZ	500	0.0047
7	MR. MUHAMMAD ASIF (NIT NOMINEE)	-	-
Executives:		1,398,264	13.0679
Public Sector Companies & Corporations:		-	0.0000
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		500,480	4.6774

Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)

S. No.	NAME	Holding	%Age
1	MIAN HASSAN BARKAT	699,230	6.5349
2	MIAN HUSSAIN BARKAT	697,892	6.5224
3	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	682,998	6.3832
4	MIAN IQBAL BARKAT	700,372	6.5455
5	MIAN FAROOQ BARKAT	553,840	5.1761

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S. No.	NAME	SALE	PURCHASE

NIL

FINANCIAL HIGHLIGHTS
Seven Years at a Glance

(All amounts in thousand)

Particulars	2017	2016	2015	2014	2013	2012	2011
Turnover (Net) (Rupees)	105,226	17,437	0,000	278,100	1,084,470	796,442	1,110,715
Profit/Loss before taxation (Rupees)	60,040	(43,295)	(59,103)	(66,800)	(38,525)	(38,624)	(51,568)
Profit/Loss after taxation (Rupees)	(61,640)	(49,947)	(54,066)	(62,548)	(30,892)	(43,319)	(50,796)
Paid up capital (Rupees)	107,000	107,000	107,000	107,000	107,000	107,000	107,000
Number of Shares (Ordinary Shares)	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000
Owner's equity (Ordinary Shareholders) (Rupees)	(264,899)	(223,578)	(184,962)	(143,276)	(84,735)	(81,646)	(54,699)
Break up value of Share of Rs. 10 each (Rupees)	(24.76)	(20.90)	(17.29)	(13.39)	(8.85)	(7.63)	(5.11)
Earning per share-basic (Rupees)	(5.76)	(4.67)	(5.05)	(5.85)	(2.89)	(4.05)	(4.75)
Total assets (Rupees)	496,255	534,683	412,448	451,472	511,660	515,368	528,185

KAMRAN & CO.
CHARTERED ACCOUNTANTS

103, Golden Plaza Fazal-e-Haq Road, Blue Aea, Islamabad - Pakistan.
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Khalid Siraj Textile Mills Limited ('the Company') as at 30th June 2017 and the related profit and loss account / statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

Except for the effects, if any, of the matters referred to in at paragraphs (b) to (g) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) As explained in note 4.3 to the financial statements, the Company has incurred a net loss of Rs. 61.640 million (2016: Rs. 49.946 million) resulting in accumulated losses of Rs. 371.899 million (2016: Rs. 330.578 million) at the close of the year ended 30 June 2017. The Company's current liabilities exceed its current assets by Rs. 128.514 million (2016: Rs. 133.055 million). The Company is facing operational and financial crisis and have lost key management without replacement and the commercial operations of the Company are ceased. These conditions indicate the existence of material uncertainty which may cast a significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in normal course of business. The financial statements, however, do not disclose this fact and any adjustment to that effect;

b) Trade debts of Rs. 1.094 million are past due, the recovery of which in our opinion is doubtful. No provision in respect of doubtful receivables has been incorporated in the financial statements. We are unable to determine the quantum of provision with reasonable accuracy and therefore, its impact on results for the year and equity could not be quantified.

c) International Accounting Standard - 19, "Employee Benefits" requires that Company should make provision in respect of employee benefits on the basis of projected unit credit method. In absence of working and actuarial valuation in this respect, we were unable to confirm the amount of provision required on account of employee benefits using projected unit credit method.

d) The Company has not provided for mark-up on short-term borrowings owing to the dispute with financial institutions (refer notes 11 and 12 to the financial statements) during the year, and no provision for cost of funds had been accounted for in the financial statements. In the absence of detailed working in this regard we were unable to determine the amount of provision required on account of accrued mark-up.

e) Trade creditors amounting to Rs. 75 million as disclosed in note 10 to the financial statements remains unverified in the absence of direct confirmations from the parties.

f) Short-term borrowings amounting to Rs. 68.181 million (refer note 12 to the financial statements) from financial institutions remained unconfirmed in the absence of direct balance confirmations. These also could not be verified through other corroborative audit evidences.

g) We were not provided with the correspondence / details of matters in litigation regarding long-term finances amounting to Rs. 246.996 million and long-term advances amounting to Rs. 15.650 million (as disclosed in note 8 and 16 to the financial statements) and in the absence of legal confirmation we are unable to comment on the outcome of the matters pending adjudication in the Court of law.

Except for the effect of the adjustments, if any, as regard to matters described in paragraphs (a) to (g) above, we report that -

h) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

  i) in our opinion:

  i) the balance sheet and profit and loss account / statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

j) in our opinion and to the best of our information and according to the explanations given to us, because of the matters as discussed in paragraphs (a) to (g) above, the balance sheet, profit and loss account / statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, do not conform with approved accounting standards as applicable in Pakistan, and do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at 30th June 2017 and of the loss, its cash flows and changes in equity for the year then ended; and

k) in our opinion, no Zakat was deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KAMRAN & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Kamil Fatah (ACA)

Islamabad
Dated : November 03, 2017

BALANCE SHEET
AS AT 30 JUNE 2017

	Note	30 June 2017 Rupees	30 June 2016 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	6	107,000,000	107,000,000
Accumulated loss		(371,898,720)	(330,578,365)
		(264,898,720)	(223,578,365)
Surplus on revaluation of property, plant and equipment	7	250,143,965	267,461,080
Non-current liabilities			
Long-term finances	8	246,995,802	237,436,293
Deferred liabilities	9	52,239,150	54,707,357
		299,234,952	292,143,650
Current liabilities			
Trade and other payables	10	126,804,443	113,685,525
Mark-up accrued on borrowings	11	16,790,575	16,790,575
Short-term borrowings	12	68,180,179	68,180,179
		211,775,197	198,656,279
Contingencies and commitments	13	-	-
		496,255,394	534,682,644
ASSETS			
Non-current assets			
Property, plant and equipment	14	395,342,650	431,429,470
Long-term deposits	15	2,001,000	2,001,000
Long-term advances	16	15,650,727	15,650,727
		412,994,377	449,081,197
Current assets			
Stores, spare parts and loose tools	17	17,055,573	22,393,281
Stock in trade	18	3,236,446	6,787,800
Trade debts	19	4,028,157	1,093,523
Loans and advances	20	3,718,572	517,338
Trade deposits and short-term prepayments	21	507,100	507,100
Balances due from government	22	52,841,365	53,489,608
Cash and bank balances	23	1,873,804	812,797
		83,261,017	85,601,447
		496,255,394	534,682,644

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PROFIT AND LOSS ACCOUNT / STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	30 June 2017 Rupees	30 June 2016 Rupees
Sales (net)	24	105,225,979	17,436,863
Cost of sales	25	145,575,734	24,802,728
Gross loss		(40,349,755)	(7,365,865)
Distribution and marketing cost	26	102,240	180,240
Administrative and general expenses	27	19,552,829	35,745,393
Finance cost	28	34,857	3,012
		19,689,926	35,928,645
Loss before taxation		(60,039,681)	(43,294,510)
Taxation	29	(1,600,367)	(6,652,465)
Loss after taxation		(61,640,048)	(49,946,975)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Incremental depreciation of surplus on revaluation of property, plant and equipment realized for the year (net of tax)		20,319,693	11,330,461
Other comprehensive income for the year (net of tax)		20,319,693	11,330,461
Total comprehensive loss for the year		(41,320,355)	(38,616,514)
Loss per share (basic and anti-dilutive)	30	(5.76)	(4.67)

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	Note	30 June 2017 Rupees	30 June 2016 Rupees
A Cash flow from operating activities			
Loss before taxation		**(60,039,681)**	(43,294,510)
Add / (Less): Adjustment for non-cash items:			
Depreciation on property, plant and equipment	14.3	**36,086,820**	24,040,734
Impairment of stores and stocks		**11,935,625**	9,727,028
Finance cost	28	**34,857**	3,012
		48,057,302	33,770,774
Operating (loss) before working capital changes		**(11,982,379)**	(9,523,736)
Working capital changes			
(Increase) / Decrease in current assets			
Stores, spare parts and loose tools		**(6,597,917)**	7,464,428
Stock in trade		**3,551,354**	17,338,300
Trade debts		**(2,934,634)**	-
Loans and advances		**(3,201,234)**	15,000
Balances due from government		**(219,173)**	-
(Decrease) in trade and other payables		**13,118,918**	(2,803,954)
		3,717,314	22,013,774
Net cash (used in) / generated from operations		**(8,265,065)**	12,490,038
Income taxes paid		**(198,581)**	(345)
Finance cost paid		**(34,857)**	(3,012)
Net cash (used in) / generated from operating activities		**(8,498,503)**	12,486,681
C Cash flow from financing activities			
Proceeds from long-term finances - net		**9,559,509**	(12,679,449)
Repayment of short-term borrowings		**-**	(37,072)
Net cash in / (out) flow in financing activities		**9,559,509**	(12,716,521)
Net increase / (decrease) in cash and cash equivalents (A+B)		**1,061,007**	(229,840)
Cash and cash equivalents at beginning of the year	23	**812,797**	1,042,637
Cash and cash equivalents at end of the year	23	**1,873,804**	812,797

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Share Capital	Accumulated Loss	Total Equity
	------------------ Rupees ------------------		
As at 30 June 2015	**107,000,000**	**(291,961,851)**	**(184,961,851)**
Total comprehensive loss for the year			
Loss for the year	-	(49,946,975)	(49,946,975)
Other comprehensive income for the year			
Incremental depreciation on revaluation of property, plant and equipment for the year (net of tax)	-	11,330,461	11,330,461
	-	(38,616,514)	(38,616,514)
As at 30 June 2016	**107,000,000**	**(330,578,365)**	**(223,578,365)**
Total comprehensive loss for the year			
Loss for the year	-	(61,640,048)	(61,640,048)
Other comprehensive income for the year			
Incremental depreciation on revaluation of property, plant and equipment for the year (net of tax)	-	20,319,693	20,319,693
	-	(41,320,355)	(41,320,355)
As at 30 June 2017	**107,000,000**	**(371,898,720)**	**(264,898,720)**

The annexed notes from 1 to 39 form an integral part of these financial statements.

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER | DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2017

1 **STATUS AND ACTIVITIES**

Khalid Siraj Textile Mills Limited (the "Company") was incorporated in Pakistan as a public limited company on 17 January 1988 under the Companies Ordinance, 1984 and is quoted on Karachi and Lahore Stock Exchanges in Pakistan. Registered office of the Company is situated at 467 M, Model Town Extension, Lahore. The project of the Company is located at 48 KM, Lahore Multan Road, Phool Nagar (Bhai Pheru), Tehsil Pattoki, District Kasur. The principle business of the Company is manufacturing and sale of yarn and the other related / allied operations.

2 **STATEMENT OF COMPLIANCE**

During the year, the Companies Act, 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated 20 July 2017 communicated that the Commission has decided that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

3 **NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

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

3.1 **New accounting standards / amendments and IFRS interpretations that are effective for the year ended 30 June 2017:**

The following standards, amendments and interpretations are effective for the year ended 30 June 2017.

Title	***Standard / Interpretation***
IAS 16	Property, plant and equipment (amendment)
IAS 19	Employee benefits
IAS 27	Separate financial statements (amendment)
IAS 34	Interim financial reporting
IAS 38	Intangible assets (amendment)
IAS 41	Agriculture (amendment)
IFRS 1	Presentation of financial statements (amendment)
IFRS 5	Non current assets held for sale and discontinued operations
IFRS 7	Financial instruments
IFRS 10	Consolidated financial statements (amendment)
IFRS 11	Joint arrangements (amendment)
IFRS 12	Disclosure of interest in other entities (amendment)

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.

3.2 **New accounting standards / amendments and IFRS interpretations that are not yet effective:**

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

Title	*Standard / Interpretation*	*Effective date (annual reporting periods beginning on or after)*
IAS 7	Statement of cash flows	1 January 2017
IAS 12	Income taxes	1 January 2017
IAS 28	Investment in associates	Yet not
IFRS 2	Share based payments	1 January 2018
IFRS 4	Insurance contracts	1 January 2018
IFRS 10	Consolidated financial statements	Yet not
IFRIC 22	Foreign currency transaction and advance consideration	1 January 2018
IFRIC 23	Uncertainty over income tax treatment	1 January 2019

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

Title	*Standard / Interpretation*	*IASB effective date (annual reporting periods beginning on or after)*
IFRS 9	Financial instruments	1 January 2018
IFRS 14	Regulatory deferral accounts	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contracts	1 January 2021

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of their initial application.

4 BASIS OF PREPERATION

4.1 These financial statements have been prepared under historical cost convention modified by application of following:

Components of financial statements	*Mode of Valuation*
Financial instruments	- at fair values
Employee retirement benefits	- at present values
Certain items of property, plant and equipment	- at revalued amounts

4.2 Significant accounting judgments and estimates

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

a) Depreciation method, rates and useful lives of property, plant and equipment (note 14)
b) Revaluation of property, plant and equipment (note 7)
c) Employee benefits (note 9.1)
d) Recoverable amount of assets/cash generating units and impairment (note 14)
e) Taxation (note 29)
f) Provisions (note 10)
g) Contingencies (note 13)

4.3 Going concern assumption

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

The Company incurred a net loss of Rs. 61.640 million (2016: Rs. 49.946 million) resulting in accumulated losses of Rs. 371.899 million (2016: Rs. 330.578 million) at the close of the year ended 30 June 2017. The Company's current liabilities exceed its current assets by Rs. 128.514 million (2016: Rs. 113.055 million).

The Company during the year had re-commenced its operations (from februry 2017). However, due to difficult market conditions could not be able to sustain in the market and had again ceased operations in July 2017; primarily due to financial constraints. However, subsequent to July 2017, the management is taking steps to recommence operations and the Company is in negotiations with financial institutions / sponsors of the Company for borrowing of funds to manage working capital requirements. The Company managed its liquidity constraints largely thru financing from its sponsors. The Company's ability to continue as a going concern is dependent on continued financing from sponsors. Management's effors for obtaining finances from financial institutions are not so far materilized, however, management is confident that efforts will be realized and that the Company will be able to continue as a going concern.

4.4 Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is Company's functional and presentation currency.

5 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been adopted and applied consistently to the period presented in the preparation of these financial statements:

5.1 Property, plant and equipment

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

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

All expenditures 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.

Depreciation is charged to profit and loss account applying reducing balance method over estimated useful life at the rates specified in note 14 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which they are available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off. The useful lives and depreciation methods are reviewed on periodic intervals to ensure that the methods and period of depreciation charged during the year are consistent with the expected pattern of economic benefits.

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment.

Exchange differences in respect of foreign currency loans obtained for acquisition of property, plant and equipment are incorporated in the cost of the relevant assets. Gains or losses on disposal of property, plant and equipment, if any, are recognized in the income of the relevant year, as and when incurred. Subsequent costs are recognized as a part of asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income during the period in which they are incurred.

5.2 Surplus on revaluation of fixed assets

Surplus arising on revaluation of items of property, plant and equipment is credited directly to equity after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously recognized in equity, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, is recognized, net of deferred tax, if any.

5.3 Taxation

Income tax expense comprise current and deferred tax. Income tax is recognized in profit and loss account except to the extent that it relates to items recognized directly in 'profit and loss account / statement of comprehensive income' or 'equity', in which case it is recognized in 'profit and loss account / statement of comprehensive income' or 'equity'.

a) Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits and exemptions available, if any or minimum taxation at the rate of one percent of the gross turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

b) Deferred

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

Deferred tax liability is recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged in the profit and loss account, except in the case of items credited or charged to equity, in that case it is included in equity.

5.4 Stores, spare parts and loose tools

These are normally held for internal use and valued at moving average cost less allowances for obsolete and slow moving items except stores in transit which are valued at invoice values plus other charges incurred thereon up to the balance sheet date. For items which are slow moving and/ or identified as surplus to the Company's requirements, adequate impairment is recognized.

The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

5.5 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Subsequent to initial recognition, borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amount as reduced by periodic payments and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis. Finance cost are accounted for on an accrual basis and are included in interest accrued on loans to the extent of amount remaining unpaid, if any.

5.6 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost as the case may be.

a) Classification

The Company classifies each of its financial assets and liabilities into one of the categories provided under International Accounting Standard - 39 "Financial Instruments, Recognition and Measurement". The classifications depend on the purpose for which the financial assets and liabilities are acquired or incurred. Management of the Company determines the classification of its financial assets and liabilities at initial recognition. As at the reporting date, all financial assets and financial liabilities of the Company are classified as "Loans and Receivables" and "Financial Liabilities at Amortized Cost" respectively. The Company does not hold financial assets and liabilities in any of the other categories as at the reporting date.

b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets. The Company’s loans and receivables comprise advances, deposits, trade and other receivables, and cash equivalents. Regular way purchases and sales of financial assets are recognized on trade dates.

c) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as non-current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The Company’s financial liabilities at amortized cost comprise trade and other payables, and borrowings.

d) Recognition / Measurement / De-recognition

A financial instrument is recognized when Company becomes a party to contractual provisions of the instrument. Particular measurement method adopted is disclosed in individual policy statement associated with each instrument. A financial liability is de-recognized when the Company's obligations specified in the contract expire or are discharged or cancelled. Gains or losses arising on de-recognition are recognized in profit or loss.

e) ***Off-setting of financial assets and liabilities***

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

5.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

5.8 Trade debts and other receivables

a) ***Financial assets***

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

b) ***Non-financial assets***

These on initial recognition and subsequently are measured at cost.

5.9 Trade and other payables

a) ***Financial liabilities***

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

b) ***Non-financial liabilities***

These on initial recognition and subsequently are measured at cost.

5.10 Dividend distribution

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed, in the Company's financial statements in the year in which the dividends are approved by Company's shareholders.

5.11 Provisions

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

5.12 Borrowing cost

Borrowing costs directly attributable to acquisition, construction / production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit and loss account.

5.13 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

5.14 Foreign currency translations

Transactions in currencies other than Pakistani Rupees are recorded at rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used. Gains and losses arising on translation are included in profit and loss account, except as stated in respective note to the financial statements.

5.15 Employee benefits

a) ***Short-term employee benefits / Compensated absences***

The Company provides for compensated absences of its employees on unavailed balance of leaves according to the Company's policy in the period in which the leaves are earned. Charge for the year is included in profit and loss account.

b) ***Post-employment benefits***

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 9.1 also refer note 4.1 to the financial statements.

5.16 Stock-in-trade

Basis of valuations are as follows:

Particulars	*Mode of Valuation*
Raw material - at warehouse	at lower of weighted average cost and net realizable value
- in transit	at cost accumulated to the balance sheet date
Work-in-process	at estimated manufacturing cost
Finished goods	at lower of cost and net realizable value
Waste	at realizable value

Cost in relation to work-in-process and finished goods represents average manufacturing cost which consists of prime cost and proportion of manufacturing overheads based on normal capacity. Net realizable value signifies selling price in ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale.

5.17 Revenue recognition

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

Revenue is recognized when goods are dispatch and title has been passed to the customers.

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

Profit on saving account is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective profit rate applicable.

5.18 Impairment

a) ***Financial assets***

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

b) ***Non-financial assets***

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognized as expense in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. For nonfinancial assets, financial assets measured at amortized cost, available-for-sale financial assets that are debt securities, the reversal is recognized in profit and loss account.

5.19 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income.

Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of comprehensive income'.

5.20 Earnings per share ("EPS")

The Company calculates both basic and diluted EPS in accordance with IAS 33 "Earnings per Share". Under IAS 33, basic EPS is computed using weighted average number of shares outstanding during the year. Diluted EPS is computed using weighted average number of shares outstanding plus dilutive effect of stock options outstanding during the year.

5.21 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and the Company intends to settle on a net basis or realize the asset and settle the liability simultaneously.

5.22 Related party transactions

Related party transactions are carried out on an arm’s length basis. Pricing for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller. The accounting methods adopted for various types of transactions and balances with related parties are as follows:

a) ***Sale of goods and services***

Revenue from sale of goods and services to related parties is recognized in accordance with the revenue recognition policy of the Company for such transactions. Receivables against sale of goods outstanding at the reporting date are carried at amortized cost in accordance with the accounting policy of the Company for such balances.

b) ***Purchases of goods and services***

Purchases of goods from related parties are recognized at actual cost to the Company. Payables against purchases from related parties outstanding at the reporting date are carried at amortized cost in accordance with the accounting policy of the Company for such balances.

5.23 Figures

Figures have been rounded off to the nearest of rupee.

	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Number of shares		Rupees	Rupees
6 SHARE CAPITAL				
Authorized capital				
Ordinary shares of Rs. 10 each	**12,000,000**	12,000,000	**120,000,000**	120,000,000
Issued subscribed and paid up capital				
Ordinary shares of Rs. 10 each				
- fully paid in cash	**10,000,000**	10,000,000	**100,000,000**	100,000,000
- fully paid as bonus shares	**700,000**	700,000	**7,000,000**	7,000,000
	10,700,000	10,700,000	**107,000,000**	107,000,000

6.1 There is no movement in capital of the Company during the year

6.2 The Company has only one class of ordinary shares which carry no right to fixed income.

7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	At beginning of the year	*Increase in surplus due to change in tax rate*	*Increase in surplus due to revaluation during the year*	*Incremental depreciation (net of deferred tax)*	*At end of the year*
	Rupees				
7.1 Reconciliation of carrying values at end of year - 30 June 2017					
Freehold land	63,285,703	-	-	-	**63,285,703**
Building on freehold land					
- Factory	69,407,591	1,020,700	-	(7,042,829)	**63,385,462**
- Others	7,846,633	115,391	-	(398,101)	**7,563,923**
	77,254,224	1,136,091	-	(7,440,930)	**70,949,385**
Plant and machinery	120,171,544	1,767,229	-	(12,193,877)	**109,744,896**
Electric installations	3,044,587	44,773	-	(308,936)	**2,780,424**
Laboratory equipment	3,705,022	54,485	-	(375,950)	**3,383,557**
	267,461,080	3,002,578	-	(20,319,693)	**250,143,965**
7.2 Reconciliation of carrying values at end of year - 30 June 2016					
Freehold land	26,284,453	-	37,001,250	-	**63,285,703**
Building on freehold land					
- Factory	25,790,468	384,932	45,849,731	(2,617,540)	**69,407,591**
- Others	8,138,148	121,465	-	(412,980)	**7,846,633**
	33,928,616	506,397	45,849,731	(3,030,520)	**77,254,224**
Plant and machinery	74,389,546	1,110,291	52,221,691	(7,549,984)	**120,171,544**
Electric installations	3,333,127	49,748	-	(338,288)	**3,044,587**
Laboratory equipment	4,056,151	60,540	-	(411,669)	**3,705,022**
	141,991,893	1,726,976	135,072,672	(11,330,461)	**267,461,080**

7.3 The Company, revalued its freehold land, buildings on freehold land and plant and machinery on 30 June 2010. The said revaluation exercise was carried-out to replace the carrying amounts of assets with the market values / depreciated market values. Previous revaluation exercise was conducted by independent valuers on 30 September 2001 and 30 April 2008.

The revaluation exercise was carried out by independent valuers M/s. Al-Noor Consultants & Evaluators (who are on the list of approved valuers of Pakistan Banks' Association, the same revaluation exercise is also certified by M/s. Avais Hyder Liaquat Nauman, Chartered Accountants) and revaluation adjustments were incorporated.

7.4 In accordance with the amendment introduced in Section 235 of the Ordinance and subsequent notifications of SECP, an amount equal to incremental depreciation for the year has been transferred to unappropriated profit to record realization of surplus to the extent of incremental depreciation charged.

7.5 The basis of revaluation are as under:

Freehold land	The value of land is based on inquiries in the activity of land and also information obtained from different sources in the area.
Buildings on freehold land (both factory and non-factory)	The value of building is based on information of construction details, covered areas and quality of constructions were noted and new rate of construction per square foot was determined based upon estimates of balance life to arrive at new construction value.
Plant and machinery (inclusive of electric and lab equipments)	The value is based on inquiries from the local market, market based comparisons and setting price of machinery to obtain prevalent replacement values of similar local and imported machinery items.

		30 June 2017	30 June 2016
		Rupees	Rupees
8 LONG-TERM FINANCES			
From related parties (current and prior) - unsecured			
Sponsors	- note 8.1	**30,400,000**	30,400,000
Sponsors' uncalled dividends	- note 8.2	**24,058,182**	24,058,182
Previous associated undertakings	- note 8.3	**32,329,798**	32,329,798
Ex-directors	- note 8.4	**160,207,822**	150,648,313
		246,995,802	237,436,293

8.1 Loan from sponsors

These represents unsecured loan from sponsors of the Company. The terms of repayment has not yet been decided so far. The above loan along with uncalled dividends is subjudice before the Honorable Lahore High Court, Lahore (also refer note 8.2).

8.2 Sponsors' uncalled dividends

These represents uncalled dividends by sponsors of the Company. The above uncalled dividend alongwith loans from sponsors is subjudice before the Honorable Lahore High Court, Lahore (also refer note 8.1).

8.3 Previous associated undertakings

This represents unsecured loans from various companies which were previously associated undertakings but now have been allocated by the Honorable Lahore High Court, Lahore to other families of ex-Ittefaq group. This amount includes principal amount of Rs. 13.440 million (2016: Rs. 13.440 million) and mark-up accrued on said loans amounting to Rs. 18.890 million (2016: Rs. 18.890 million). The matter is still pending adjudication.

8.4 Long-term loans from ex-directors

These represents unsecured and interest free loans from chief executive officer, directors and sponsors. The terms of repayment has not yet been decided so far, however, the directors and sponsors have given undertaking that they have no intention to demand such loan within period of next twelve months, as such the current maturity has not been presented.

8.5 These are classified as 'financial liabilities' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these long term loans have no fixed maturity date as discussed above, are carried at cost as their amortized cost is impracticable to determine.

8.6 The legal council of the Company is of the view that these cases are not expected to be resolved / decided within next twelve months and as such the current maturities of the same have not been presented.

		30 June 2017 **Rupees**	30 June 2016 Rupees
9 DEFERRED LIABILITIES			
Employee retirement benefits	- note 9.1	**6,193,239**	6,193,239
Deferred taxation	- note 9.2	**46,045,911**	48,514,118
		52,239,150	54,707,357

9.1 Employee retirement benefits

As the company has ceased its operations and accordingly, the company has stop providing for employee retirment benefits, the balance represents unpaid gratuity to outgoing employees. As the company is no longer providing employee retirment benfits, therefore the present value of obligation has not been determined using projected unit credit method.

	30 June 2017 **Rupees**	30 June 2016 Rupees
9.2 Deferred taxation		
Deferred tax liability on taxable temporary differences		
Accelerated tax depreciation on property, plant and equipment	**13,684,762**	33,084,394
Surplus on revaluation of property, plant and equipment	**83,950,813**	96,082,529
Deferred tax asset on deductible temporary differences		
Employee retirement benefits	**(1,919,904)**	(1,981,836)
Unused tax losses	**(49,669,760)**	(78,670,968)
	46,045,911	48,514,119
Charge of deferred tax		
In surplus on revaluation of property, plant and equipment	**(3,002,578)**	(1,726,976)
In profit and loss account	**534,370**	6,478,096
	(2,468,208)	4,751,120

10 TRADE AND OTHER PAYABLES		
Trade creditors	**87,747,426**	82,745,815
Advances from customers	**5,280,966**	4,251,061
Accrued liabilities	**32,169,168**	25,432,544
Withholding taxes payable	**1,306,883**	956,105
Securities payable	**300,000**	300,000
	126,804,443	113,685,525

10.1 Workers profit participation fund / Workers' welfare fund

As the Company is in loss for the year as in last year, hence no provision for workers' profit participation fund and 'workers' welfare fund' has been provided in these financial statements.

	30 June 2017 Rupees	30 June 2016 Rupees
11 MARK-UP ACCRUED ON BORROWINGS		
Short-term borrowings	**16,790,575**	16,790,575

		Sanctioned Limits		Amount Availed	
		30 June 2017 Rupees	30 June 2016 Rupees	**30 June 2017 Rupees**	30 June 2016 Rupees
12 SHORT-TERM BORROWINGS					
Cash finances	- note 12.1	**160,000,000**	160,000,000	**60,680,179**	60,680,179
FATR	- note 12.2	**7,500,000**	7,500,000	**7,500,000**	7,500,000
		167,500,000	167,500,000	**68,180,179**	68,180,179

12.1 Cash finances

This facility has been obtained from National Bank of Pakistan for working capital requirements, and is secured by way of first pari passu charge amounting to Rs. 67.00 million (2016: Rs. 67.00 million) over the fixed assets of the Company, ranking charge amounting to Rs. 178.33 million (2016: Rs. 178.33 million) over the current assets of the Company, pledge of stocks of cotton bales and yarn and personal guarantees of sponsoring directors of the Company. This facility carries mark-up at the rate of 3 months KIBOR plus 300 bps (2016: 3 months KIBOR plus 300 bps) per annum payable on quarterly basis. This facility had expired on 31 December 2013 and had not been renewed by the bank till the authorization for issue of these financial statements.

12.2 Finance against trust receipts (FATR)

This facility has been obtained from National Bank of Pakistan for cotton procurement, and is secured by way of first pari passu charge amounting to Rs. 25.00 million on current assets of the Company, trust receipts duly executed by the Company and personal guarantees of sponsoring directors of the Company. This facility carries mark-up at the rate of 3 months KIBOR plus 300 bps (2016: 3 months KIBOR plus 300 bps) per annum. This facility had expired on 31 December 2013 and had not been renewed by the bank till the authorization for issue of these financial statements.

	30 June 2017 Rupees	30 June 2016 Rupees
13 CONTINGENCIES AND COMMITMENTS		
Contingencies		
Guarantees issued on behalf of the Company by financial institutions	**507,100**	507,100
Unavailed letters of credit (sight) facility	**20,000,000**	20,000,000

The Company is in litigation as regard to balances payable to sponsors amounting to Rs. 30.40 million (2016: Rs. 30.40 million), uncalled dividends of sponsors amounting to Rs. 24.06 million (2016: Rs. 24.06 million), previous associated undertakings amounting to Rs. 32.33 million (2016: Rs. 32.33 million) and balance receivable from previous associated undertakings amounting to Rs. 15.65 million (2016: Rs. 15.65 million). The said matters are subjudice with the Honorable Lahore High Court, Lahore.

National bank of Pakistan has filed recovery suit with Hounorable Lahore High Court, Lahore against the company on 24 June 2016. The decision is pending adjudication. The management of the Company is of the view that this liability will be restructured and the Company shall benefit from the waiver of markup.

Other than above, there is no known contingent liability of the Company as on year end (2016: Nil).

Commitments

There are no outstanding commitments of the Company as on year end (2016: Nil).

14 PROPERTY, PLANT AND EQUIPMENT

14.1 Reconciliation of carrying values at end of the year - 30 June 2017

PARTICULARS	COST / REVALUED AMOUNTS			DEPRECIATION			BOOK VALUE	Annual
	As at 1/July/2016	Additions / (Disposals)	As at 30/June/2017	As at 1/July/2016	Charge for the year	As at 30/June/2017	As at 30/June/2017	rate of dep.
	----------	----------	----------	Rupees	----------	----------		% age
Freehold land								
Cost	1,064,297	-	1,064,297	-	-	-	1,064,297	-
Revaluation	63,285,703	-	63,285,703	-	-	-	63,285,703	-
	64,350,000	-	64,350,000	-	-	-	64,350,000	
Factory building on freehold land								
Cost	34,577,413	-	34,577,413	26,216,148	836,127	27,052,275	7,525,138	10
Revaluation	160,286,583	-	160,286,583	58,216,598	10,206,999	68,423,597	91,862,986	10
	194,863,996	-	194,863,996	84,432,746	11,043,126	95,475,872	99,388,124	
Non-factory building on freehold land								
Cost	7,380,828	-	7,380,828	5,722,277	82,928	5,805,205	1,575,623	5
Revaluation	16,869,044	-	16,869,044	5,329,880	576,958	5,906,838	10,962,206	5
	24,249,872	-	24,249,872	11,052,157	659,886	11,712,043	12,537,829	
Plant and machinery								
Cost	317,571,940	-	317,571,940	266,394,802	5,117,714	271,512,516	46,059,424	10
Revaluation	377,591,629	-	377,591,629	200,868,767	17,672,286	218,541,053	159,050,576	10
	695,163,569	-	695,163,569	467,263,569	22,790,000	490,053,569	205,110,000	
Electric installations								
Cost	6,881,121	-	6,881,121	5,107,812	177,331	5,285,143	1,595,978	10
Revaluation	16,214,684	-	16,214,684	11,737,350	447,733	12,185,083	4,029,601	10
	23,095,805	-	23,095,805	16,845,162	625,064	17,470,226	5,625,579	
Laboratory equipment								
Cost	6,692,987	-	6,692,987	6,295,695	39,729	6,335,424	357,563	10
Revaluation	18,295,338	-	18,295,338	12,846,778	544,855	13,391,633	4,903,705	10
	24,988,325	-	24,988,325	19,142,473	584,584	19,727,057	5,261,268	
Tools and equipment	154,960	-	154,960	145,988	897	146,885	8,075	10
Concrete mixer	300,000	-	300,000	282,779	1,722	284,501	15,499	10
Weighing scales	233,200	-	233,200	218,683	1,452	220,135	13,065	10
Furniture and fixtures	7,609,088	-	7,609,088	5,436,460	217,263	5,653,723	1,955,365	10
Tube well	1,292,880	-	1,292,880	830,852	46,203	877,055	415,825	10
Arms and ammunition	27,350	-	27,350	23,642	371	24,013	3,337	10
Bicycles	11,880	-	11,880	11,651	46	11,697	183	20
Motor vehicles	13,263,417	-	13,263,417	12,488,710	116,206	12,604,916	658,501	15
Total - 30/June/2017	1,049,604,342	-	1,049,604,342	618,174,872	36,086,820	654,261,692	395,342,650	

14.2 Reconciliation of carrying values at beginning of the year - 30 June 2016

PARTICULARS	COST / REVALUED AMOUNTS			DEPRECIATION			BOOK VALUE	Annual
	As at 1/July/2015	Additions for the year	As at 30/June/2016	As at 1/July/2015	Charge for the year	As at 30/June/2016	As at 30/June/2016	rate of dep.
	Rupees							% age
Freehold land								
Cost	1,064,297	-	1,064,297	-	-	-	1,064,297	-
Revaluation	26,284,453	37,001,250	63,285,703	-	-	-	63,285,703	-
	27,348,750	37,001,250	64,350,000	-	-	-	64,350,000	
Factory building on freehold land								
Cost	34,577,413	-	34,577,413	25,287,119	929,029	26,216,148	8,361,265	10
Revaluation	92,860,508	67,426,075	160,286,583	54,367,275	3,849,323	58,216,598	102,069,985	10
	127,437,921	67,426,075	194,863,996	79,654,394	4,778,352	84,432,746	110,431,250	
Non-factory building on freehold land								
Cost	7,380,828	-	7,380,828	5,634,985	87,292	5,722,277	1,658,551	5
Revaluation	16,869,044	-	16,869,044	4,722,556	607,324	5,329,880	11,539,164	5
	24,249,872	-	24,249,872	10,357,541	694,616	11,052,157	13,197,715	
Plant and machinery								
Cost	317,571,940	-	317,571,940	260,708,453	5,686,349	266,394,802	51,177,138	10
Revaluation	300,795,024	76,796,605	377,591,629	189,765,850	11,102,917	200,868,767	176,722,862	10
	618,366,964	76,796,605	695,163,569	450,474,303	16,789,266	467,263,569	227,900,000	
Electric installations								
Cost	6,881,121	-	6,881,121	4,910,778	197,034	5,107,812	1,773,309	10
Revaluation	16,214,684	-	16,214,684	11,239,868	497,482	11,737,350	4,477,334	10
	23,095,805	-	23,095,805	16,150,646	694,516	16,845,162	6,250,643	
Laboratory equipment								
Cost	6,692,987	-	6,692,987	6,251,551	44,144	6,295,695	397,292	10
Revaluation	18,295,338	-	18,295,338	12,241,383	605,395	12,846,778	5,448,560	10
	24,988,325	-	24,988,325	18,492,934	649,539	19,142,473	5,845,852	
Tools and equipment	154,960	-	154,960	144,991	997	145,988	8,972	10
Concrete mixer	300,000	-	300,000	280,865	1,914	282,779	17,221	10
Weighing scales	233,200	-	233,200	217,070	1,613	218,683	14,517	10
Furniture and fixtures	7,609,088	-	7,609,088	5,195,057	241,403	5,436,460	2,172,628	10
Tube well	1,292,880	-	1,292,880	779,516	51,336	830,852	462,028	10
Arms and ammunition	27,350	-	27,350	23,230	412	23,642	3,708	10
Bicycles	11,880	-	11,880	11,594	57	11,651	229	20
Motor vehicles	13,263,417	-	13,263,417	12,351,997	136,713	12,488,710	774,707	15
Total - 30/June/2016	868,380,412	181,223,930	1,049,604,342	594,134,138	24,040,734	618,174,872	431,429,470	

		30 June 2017 Rupees	30 June 2016 Rupees
14.3 Depreciation for the year has been allocated as -			
Cost of sales	- note 25	**35,702,660**	-
Administrative and general expenses	- note 27	**384,160**	24,040,734
		36,086,820	24,040,734

14.4 Had there been no revaluation, the cost, accumulated depreciation and book value of revalued assets at 30 June 2017 and 30 June 2016 would be as under:

As at 30 June 2017

	Cost	*Accumulated depreciation*	*Book value*
	----------------------------	Rupees	---------------------
Freehold land	1,064,297	-	**1,064,297**
Factory building	34,577,413	27,052,275	**7,525,138**
Non factory building	7,380,828	5,805,205	**1,575,623**
Plant and machinery	317,571,940	271,512,516	**46,059,424**
Electric installations	6,881,121	5,285,143	**1,595,978**
Laboratory equipment	6,692,987	6,335,424	**357,563**
	374,168,586	315,990,563	**58,178,023**

As at 30 June 2016

	Cost	*Accumulated depreciation*	*Book value*
	----------------------------	Rupees	---------------------
Freehold land	1,064,297	-	**1,064,297**
Factory building	34,577,413	26,216,148	**8,361,265**
Non factory building	7,380,828	5,722,277	**1,658,551**
Plant and machinery	317,571,940	266,394,802	**51,177,138**
Electric installations	6,881,121	5,107,812	**1,773,309**
Laboratory equipment	6,692,987	6,295,695	**397,292**
	374,168,586	309,736,734	**64,431,852**

		30 June 2017 Rupees	30 June 2016 Rupees
15 LONG-TERM DEPOSITS			
Deposits with various institutions	- note 15.1	**2,001,000**	2,001,000

15.1 These are interest free refundable deposits with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

		30 June 2017 Rupees	30 June 2016 Rupees
16 LONG-TERM ADVANCES			
Due from previously associated undertakings	- note 16.1	**15,650,727**	15,650,727

16.1 This represents the amount receivable from various companies which were previously associated undertakings but have been allocated by the Honorable Lahore High Court, Lahore to other families involved in ex-Ittefaq group. The matter is still pending adjudication.

These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date as discussed above, are carried at cost as their amortized cost is impracticable to determine.

	30 June 2017	30 June 2016
	Rupees	Rupees
17 STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	**1,231,905**	1,567,421
Spare parts and loose tools	**7,344,749**	12,241,671
Packing material	**8,478,919**	8,584,189
	17,055,573	22,393,281

17.1 Entire 'stores, spare parts and loose tools' have been carried at lower of cost and net realizable value.

	30 June 2017	30 June 2016
	Rupees	Rupees
18 STOCK IN TRADE		
Raw material	**-**	-
Work in process	**-**	-
Finished goods	**3,236,446**	-
Waste	**-**	6,787,800
	3,236,446	6,787,800

18.1 Stock in trade is pledged with National Bank of Pakistan against short-term borrowings.

		30 June 2017	30 June 2016
		Rupees	Rupees
19 TRADE DEBTS			
Local debts (unsecured but considered good)		**4,028,157**	1,093,523
20 LOANS AND ADVANCES			
Advances to suppliers (unsecured but considered good)		**3,590,418**	517,338
Other advances		**128,154**	-
		3,718,572	517,338
21 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Bank guarantee deposits		**507,100**	507,100
22 BALANCES DUE FROM GOVERNMENT			
Income tax recoverable	- note 22.1	**48,317,839**	49,185,255
Sales tax refundable	- note 22.2	**4,222,813**	4,003,640
Excise duty		**300,713**	300,713
		52,841,365	53,489,608

		30 June 2017 Rupees	30 June 2016 Rupees
22.1 Income tax recoverable			
At beginning of the year		**49,185,255**	49,359,279
Add: Income tax deducted / paid during the year		**198,581**	345
		49,383,836	49,359,624
Less: Provision for taxation	- note 29.1	**(1,065,997)**	(174,369)
At end of the year		**48,317,839**	49,185,255

22.2 Sales tax refundable

It represents accumulated differences of input tax on purchases and sales tax payable.

		30 June 2017 Rupees	30 June 2016 Rupees
23 CASH AND BANK BALANCES			
In hand		**1,103,537**	30,341
With banks (on current accounts)		**770,267**	782,456
		1,873,804	812,797
24 SALES (NET)			
Gross sales		**106,599,723**	17,436,863
		106,599,723	17,436,863
Less: Sales tax / commission		**(1,373,744)**	-
Net sales		**105,225,979**	17,436,863
25 COST OF SALES			
Raw material consumed	- note 25.1	**51,300,472**	24,802,728
Salaries, wages and other benefits		**28,252,837**	-
Stores and spare parts consumed		**7,375,204**	-
Power and fuel		**25,395,837**	-
Repair and maintenance		**232,164**	-
Depreciation on property, plant and equipment	- note 14.3	**35,702,660**	-
Other manufacturing overheads		**553,006**	-
		148,812,180	24,802,728
Adjustment of work in process			
Opening stocks		**-**	-
Less: Closing stocks		**-**	-
		-	-
Adjustment of finished goods			
Opening stocks		**-**	-
Less: Closing stocks		**(3,236,446)**	-
		(3,236,446)	-
Total cost of sales		**145,575,734**	24,802,728

		30 June 2017 Rupees	30 June 2016 Rupees
25.1 Raw material consumed			
Opening stocks		-	24,802,728
Add: Purchases and direct expenses		51,300,472	-
Less: Closing stocks		-	-
		51,300,472	24,802,728

26 DISTRIBUTION AND MARKETING COST

Advertisements		102,240	180,240
		102,240	180,240

27 ADMINISTRATIVE AND GENERAL EXPENSES

Directors remuneration		1,245,800	-
Salaries and allowances	- note 27.1	3,240,243	145,761
Vehicle running and maintenance		478,135	65,425
Repairs and maintenance		254,931	937,000
Traveling and conveyance		126,004	-
Printing and stationery		93,221	80,967
Communications		223,585	-
Electricity, gas and water		217,266	-
Entertainment		131,268	-
Legal and professional charges		178,156	308,264
Auditors' remuneration	- note 27.2	425,000	220,000
Fee and subscription		33,275	197,689
Impairments of stocks and stores, spare parts and loose tools		11,935,625	9,727,028
Depreciation on property, plant and equipment	- note 14.3	384,160	24,040,734
Other expenses		586,160	22,525
		19,552,829	35,745,393

27.1 Salaries and allowances

This include employee retirement benefits amounting to Rs. Nil (2016: Nil).

27.2 Auditors' remuneration

Audit fee		400,000	200,000
Fee for interim review and other certifications		25,000	20,000
		425,000	220,000

28 FINANCE COST

Bank charges and commission		34,857	3,012

29 TAXATION

Current	- note 22.1	1,065,997	174,369
Deferred	- note 9.2	534,370	6,478,096
		1,600,367	6,652,465

29.1 Current year's taxation

Provision for current tax represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001.

29.2 Prior period assessments

Income tax assessments of the Company have been finalized up to tax year 2016 in accordance with the deeming provisions under section 120 (1) of the Ordinance.

29.3 Numerical reconciliation between the average tax rate and the applicable tax rate

	30 June 2017 % age	30 June 2016 % age	30 June 2017 Rupees	30 June 2016 Rupees
Applicable tax rate	**31.00%**	32.00%	**(18,612,301)**	(13,854,243)
Tax effects of amounts that are:				
Inadmissible expenses	**-29.22%**	-31.59%	**17,546,304**	13,679,874
Impact of deferred tax	**0.89%**	14.96%	**(534,370)**	(6,478,096)
Effective tax rate/tax	**2.67%**	15.37%	**(1,600,367)**	(6,652,465)

		30 June 2017	30 June 2016
30 LOSS PER SHARE (BASIC AND ANTI-DILUTIVE)			
Loss attributable to ordinary equity holders of the Company	*(Rupees)*	**(61,640,048)**	(49,946,975)
Weighted average number of ordinary shares	*(Number)*	**10,700,000**	10,700,000
Loss per share - basic and anti dilutive	*(Rupees)*	**(5.76)**	(4.67)

30.1 There is no anti dilutive effect on the basic loss per share of the Company. Moreover, there are no anti dilutive potential ordinary shares outstanding as at 30 June 2017 and 2016.

31 PLANT CAPACITY AND ACTUAL PRODUCTION

	30 June 2017	30 June 2016
Number of spindles installed	**17,280**	17,280
Installed capacity after conversion into 20 / S counts (Kgs.)	**4,668,224**	4,668,224

It is difficult to determine precisely production / rated capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, twist per inch and raw materials used etc.

	30 June 2017	30 June 2016
32 NUMBER OF EMPLOYEES		
Total number of employees (inclusive of contractual staff) at end of year	185	2
Average number of employees during the year	160	2

33 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of financial assets and liabilities approximate their fair values.

34 FINANCIAL RISK MANAGEMENT

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

a) Credit risk;
b) Liquidity risk; and
c) Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

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

34.1 Credit risk and concentration of credit risk

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

Concentration of credit risk arise when a number of counterparties are engaged in a similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Credit risk primarily arises from long-term advances, trade debts, loans and advances and balances with banks. To manage exposures to credit risk in respect of trade debts, management performs credit reviews taking into account the customers' financial position, past experience and other relevant factors. Where considered necessary advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce credit risk. Credit risk on bank balances is limited as the counterparties are banks with reasonably high credit ratings.

Exposure to credit risk

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

	30 June 2017	30 June 2016
	Rupees	Rupees
Long-term advances	**15,650,727**	15,650,727
Trade debts	**4,028,157**	1,093,523
Loans and advances	**3,718,572**	517,338
Bank balances	**770,267**	782,456
	24,167,723	18,044,044

Geographically, there is no concentration of credit risk. All trade debts at balance sheet date represents domestic parties.

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

	30 June 2017	30 June 2016
	Rupees	Rupees
The aging of trade debts at the balance sheet date was as follows:		
Falling within 1 to 30 days	**-**	-
Falling within 30 to 90 days and over	**4,028,157**	1,093,523
	4,028,157	1,093,523

Impairment losses

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

34.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 13 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay. For effective markup rate please see note 12 to these financial statements. Carrying amount and contractual cashflows of trade and other financial liabilities are approximately same.

	30 June 2017			
	Carrying amount	*Contractual cash flows*	*Not later than 1 year*	*Later than 1 year*
	---------- Rupees ----------			
Long-term finances	246,995,802	246,995,802	-	246,995,802
Trade payables	126,804,443	126,804,443	126,804,443	-
Short-term borrowings	68,180,179	84,970,754	84,970,754	-
	441,980,424	458,770,999	211,775,197	246,995,802

	30 June 2016			
	Carrying amount	*Contractual cash flows*	*Not later than 1 year*	*Later than 1 year*
	---------- Rupees ----------			
Long-term finances	237,436,293	237,436,293	-	237,436,293
Trade payables	113,685,525	113,685,525	113,685,525	-
Short-term borrowings	68,180,179	84,970,754	84,970,754	-
	419,301,997	436,092,572	198,656,279	237,436,293

34.3 Market risk

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

a) Foreign currency risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials and plant and machinery, if any. The Company is not exposed to any foreign currency risk as there are very minimal such transactions.

b) Interest rate risk

The interest rate risk is the risk that value of financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and liabilities that mature in given period. At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Variable rate instruments	**30 June 2017**	30 June 2016	**30 June 2017**	30 June 2016
	-------------% -------------		------------- Rupees -------------	
Short-term borrowings	**3M KIBOR + 3%**	3M KIBOR + 3%	**68,180,179**	68,180,179

Fair value sensitivity analysis for floating rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

At 30 June 2017, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, the Company's profit before tax for the year would have been Rs. 0.681 million (2016: Rs. 0.680 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities. There is only an immaterial impact on the Company's equity.

c) Price risk management

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuates as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument traded in the market. The Company is not exposed to any significant price risk.

34.4 Determination of fair values of financial instruments

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 other than in a forced or liquidation sale. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

35 CAPITAL RISK MANAGEMENT

The primary objective of the Company's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions.

36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of holding company, subsidiaries and associated undertakings, other related group companies, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amount due from related parties is shown under note 8 and 27 to the financial statements.

Nature and description of related party transactions during the year along with monetary value are as follows:

Nature of relation	**Nature of transactions**	**30 June 2017 Rupees**	30 June 2016 Rupees
Companies under common management of control	Loan repaid	**9,559,509**	23,407,608
	Purchase of yarn / others	**-**	(1,707,414)
Key management personnel	Remuneration and other benefits	**2,731,980**	-

37 **REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in the financial statements for the year as remuneration and benefits of the chief executive officer, directors and executives of the Company are as follows:

	30 June 2017		
	Directors	Executives	Aggregate
	................Rupees................		
Managerial remuneration	830,534	990,787	1,821,321
House rent allowance	332,213	445,854	778,067
Utilities	83,053	49,539	132,592
Total 2017	**1,245,800**	**1,486,180**	**2,731,980**
Number of persons	2	2	4

37.1 Last year no remuneration was paid to chief executive officer, directors and certain executives of the company.

37.2 Meeting fee has not been paid to directors of the Company.(2016: Nil)

38 **RECLASSIFICATIONS AND RE-ARRANGEMENTS**

Corresponding figures have been re-classified and re-arranged, wherever necessary, to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant re-classification and re-arrangements are made in the financial statements.

39 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been approved by the board of directors of the Company and authorized for issue on 03 November 2017.

CHIEF EXECUTIVE OFFICER DIRECTOR

Khalid Siraj
TEXTILE MILLS LIMITED

FORM OF PROXY

No. of Shares	Please Quote Folio No.

I/We ______________________________ of ______________________
____

a member(s) of KHALID SIRAJ TEXTILE MILLS LIMITED and holding ______________
____

ordinary shares, as per Register folio / CDC A/c No. ______________________

hereby appoint Mr.______________________ of ______________________

of failing his______________________ of ______________________

who is also a member of the company vide Register Folio / CDC A/c No.__________ as my/our proxy to vote for me/us and on my/our behalf at the 30th Annual General Meeting of the Company to held on November 27, 2017 at 10:00 a.m. and at any adjournment thereof

As witness my/our hand this______________ day of ______________ 2017.

Revenue Stamp

1. Witness ______________

2. Witness ______________

Signature of Member (s)

A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of his behalf. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation its common seal (if any) should be affixed to the instrument.

The proxies shall be lodged with the company not later than 48 hours before the time of meeting.

For CDC account holders:

- The proxy form shall be witnessed by two persons where names, addresses and CNIC number shall be mentioned on the form.
- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his/her original CNIC or original passport at the time of meeting.