GADOON TEXTILE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018	2017
		(Rupees in '000)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	**7,791,928**	7,447,694
Long-term advance	5	**-**	-
Long-term loans	6	**35,331**	23,476
Long-term deposits		**27,719**	27,704
Long-term investments	7	**2,686,920**	2,472,715
		10,541,898	9,971,589
Current Assets			
Stores, spares and loose tools	8	**549,319**	491,790
Stock-in-trade	9	**7,469,561**	5,700,578
Trade debts	10	**2,464,181**	1,750,769
Loans and advances	11	**286,996**	262,541
Trade deposits and short-term prepayments		**32,273**	17,679
Other receivables	12	**958,077**	928,097
Current tax asset		**651,362**	712,880
Cash and bank balances	13	**188,863**	163,926
		12,600,632	10,028,260
Total Assets		**23,142,530**	19,999,849
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized			
57,500,000 ordinary shares of Rs.10/- each		**575,000**	575,000
Issued, subscribed and paid-up capital	14	**280,296**	280,296
Capital reserves		**137,541**	137,541
Revenue reserves		**7,795,673**	6,948,886
Total Equity		**8,213,510**	7,366,723
Non-Current Liabilities			
Long-term finance	15	**594,338**	-
Retirement benefit obligation	16	**533,769**	446,314
Deferred tax liabilities	17	**696,275**	668,382
		1,824,382	1,114,696
Current Liabilities			
Trade and other payables	18	**3,088,479**	2,779,417
Unclaimed dividend		**21,423**	15,354
Accrued mark-up		**129,830**	87,667
Short-term borrowings	19	**9,864,906**	8,635,992
		13,104,638	11,518,430
Total Liabilities		**14,929,020**	12,633,126
Total Equity and Liabilities		**23,142,530**	19,999,849
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chairman / Director **Chief Executive Officer** **Chief Financial Officer**

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

	Note	2018	2017
		(Rupees in '000)	
Sales - net	21	**27,554,687**	23,248,578
Cost of sales	22	**(25,609,797)**	(21,919,785)
Gross profit		**1,944,890**	1,328,793
Distribution cost	23	**(437,311)**	(279,821)
Administrative expenses	24	**(224,245)**	(193,915)
		(661,556)	(473,736)
		1,283,334	855,057
Finance cost	25	**(574,682)**	(342,601)
Other operating expenses	26	**(161,393)**	(89,300)
		547,259	423,156
Other income	27	**449,217**	277,684
Share of profit from associates	7	**477,170**	384,098
Profit before taxation		**1,473,646**	1,084,938
Taxation	28	**(288,350)**	(277,952)
Profit for the year		**1,185,296**	806,986
Earnings per share - basic and diluted (Rupees)	29	**42.29**	28.79

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chairman / Director **Chief Executive Officer** **Chief Financial Officer**

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

	Note	2018	2017
		(Rupees in '000)	
Profit for the year		**1,185,296**	806,986
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Share of other comprehensive loss from associates - net of tax	7	**(15,074)**	(3,433)
Items that will not be reclassified subsequently to profit or loss			
- Remeasurement of defined benefit obligation	16.5	**7,297**	36,458
- Income tax relating to defined benefit obligation		**(1,384)**	(6,893)
		5,913	29,565
Other comprehensive income		**(9,161)**	26,132
Total comprehensive income for the year		**1,176,135**	833,118

The annexed notes from 1 to 40 form an integral part of these financial statements.

cutive Officer **Chief Financial Officer**

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

		Note	2018	2017
			(Rupees in '000)	
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
	Cash generated from operations	30	**96,864**	1,562,464
	Finance cost paid		**(532,519)**	(300,539)
	Income tax paid		**(197,645)**	(260,236)
	Gratuity paid		**(85,948)**	(113,203)
	Rebate received		**96,452**	3,284
			(719,660)	(670,694)
	Net cash (used in) / generated from operating activities		**(622,796)**	891,770
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Purchase of property, plant and equipment		**(1,119,172)**	(487,816)
	Sale proceeds from disposal of property, plant and equipment		**36,297**	25,263
	Loans paid to employees		**(16,117)**	(9,609)
	Long-term deposits given		**(15)**	(2,646)
	Sale proceeds from disposal of short term investment		**-**	173,905
	Profit received from bank deposits		**1,554**	1,782
	Dividend received		**245,213**	101,676
	Net cash used in investing activities		**(852,240)**	(197,445)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Long-term finance obtained		**594,338**	-
	Dividend paid		**(323,279)**	(77)
	Net cash generated from / (used in) financing activities		**271,059**	(77)
	Net (decrease) / increase in cash and cash equivalents (A+B+C)		**(1,203,977)**	694,248
	Cash and cash equivalents at the beginning of the year		**(8,472,066)**	(9,166,314)
	Cash and cash equivalents at the end of the year		**(9,676,043)**	(8,472,066)
	CASH AND CASH EQUIVALENTS			
	Cash and bank balances	13	**188,863**	163,926
	Short-term borrowings	19	**(9,864,906)**	(8,635,992)
			(9,676,043)	(8,472,066)

CHANGES ARISING FROM FINANCING ACTIVITIES

	2017	Financing cash	Financing cash outflows	Non-cash changes	2018
	----------	----------	Rupees in '000	----------	----------
Loan from financial institutions	-	594,338	-	-	594,338
Unclaimed dividend	15,354	-	(323,279)	329,348	21,423

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chairman / Director **Chief Executive Officer** **Chief Financial Officer**

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

		Capital Reserves			Revenue Reserves				
	Issued, subscribed and paid-up share capital	**Share premium**	**Amalgamation Reserve**	**Sub total**	**General reserve**	**Amalgamation Reserve**	**Unappropriated profit**	**Sub total**	**Grand total**
	Rupees in '000								
Balance as at July 1, 2016	280,296	103,125	34,416	137,541	1,000,000	727,333	4,388,435	6,115,768	6,533,605
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	806,986	806,986	806,986
Other comprehensive income	-	-	-	-	-	-	26,132	26,132	26,132
Total comprehensive income for the year	-	-	-	-	-	-	833,118	833,118	833,118
Balance as at June 30, 2017	280,296	103,125	34,416	137,541	1,000,000	727,333	5,221,553	6,948,886	7,366,723
Transaction with owners									
Final dividend @ Rs. 5/- per share for the year ended June 30, 2017	-	-	-	-	-	-	(140,148)	(140,148)	(140,148)
Additional / Interim dividend @ Rs. 6.75/- per share	-	-	-	-	-	-	(189,200)	(189,200)	(189,200)
	-	**-**	**-**	**-**	**-**	**-**	**(329,348)**	**(329,348)**	**(329,348)**
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	1,185,296	1,185,296	1,185,296
Other comprehensive income	-	-	-	-	-	-	(9,161)	(9,161)	(9,161)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**1,176,135**	**1,176,135**	**1,176,135**
Balance as at June 30, 2018	**280,296**	**103,125**	**34,416**	**137,541**	**1,000,000**	**727,333**	**6,068,340**	**7,795,673**	**8,213,510**

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chairman / Director **Chief Executive Officer** **Chief Financial Officer**

1. THE COMPANY AND ITS OPERATIONS

1.1 Gadoon Textile Mills Limited (the Company) was incorporated in Pakistan on February 23, 1988 as a public limited company under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of yarn and knitted fabrics. Y.B Holdings (Private) Limited is the holding company.

Following are the geographical location and address of all business units of the Company:

Head Office:
7-A, Muhammad Ali Housing Society, Abdul Aziz Haji Hashim Tabba Street, Karachi, Province of Sindh, South, Pakistan.

Manufacturing facility:
a) 200-201, Gadoon Amazai Industrial Estate, District Swabi, Province of Khyber Pakhtunkhwa, North, Pakistan.
b) 57 Km on Super Highway (near Karachi), Province of Sindh, South, Pakistan.

Liaison Office:
Syed’s Tower, Third Floor, Opposite Custom House, Jamrud Road, Peshawar, Province of Khyber Pakhtunkhwa, North, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical 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 disclosed in note 2.4.

2.2 Basis of measurement

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

- obligations under the defined benefit plan are stated at present value; and
- investment in associates are accounted for using equity method.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

a) determining the residual values and useful lives of the property, plant and equipment (note 3.1);
b) valuation of stock-in-trade - at lower of cost and NRV (note 3.3);
c) provision for taxation including deferred tax (note 3.9);
d) accounting for staff retirement benefits (notes 3.10);
e) provisions - for slow moving stores (note 3.17);
f) provisions - for doubtful debts (note 3.17);
g) provisions - doubtful advances (note 3.17); and
h) provisions against liability (note 3.17).

2.5 Changes in accounting standards and interpretations

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

Following standards and amendments are either not relevant to the Company's operations and are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

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

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

2.5.2 New accounting standards and amendments that are not yet effective

The following standards and amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. The applicable changes may have impact on the Company's annual financial statements. The management is in the process of determining the impact of such changes.

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018. Earlier application is permitted.
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019

	Effective from accounting period beginning on or after:
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after January 01, 2018.
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

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

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

2.5.3 New disclosure requirement due to adoption of Companies Act, 2017

Due to adoption of the Companies Act, 2017 certain new and enhanced disclosures have become applicable, which are in addition to those required by the International Accounting Standards. The relevant notes have been updated accordingly.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2017 and are enumerated as follows:

3.1 Property, plant and equipment

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

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

Depreciation is charged, from the month when the asset is available for use and ceased from the month of disposal, to profit and loss account applying the reducing balance method except for leasehold land, which is depreciated using the straight-line method. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each balance sheet date. Rates for depreciation are stated in note 4.1 to the financial statements.

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are taken to profit and loss account as and when incurred.

3.2 Stores, spares and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using moving average method. Items in transit are stated at invoice value plus other charges incurred thereon until the balance sheet date.

For items that are slow moving adequate provision is made, if necessary, for any excess carrying value over estimated realizable value and charged to profit and loss account.

3.3 Stock-in-trade

Basis of valuation is as under:

- Raw material in hand (imported)	Lower of cost and net realizable value (NRV) - specific identification basis
- Raw material in hand (local)	Lower of cost (weighted average) and NRV
- Raw material in-transit	Cost accumulated to end of reporting period
- Work-in-process	Lower of cost (weighted average) and NRV
- Finished goods	Lower of cost (weighted average) and NRV
- Waste	NRV

Cost in relation to work-in-process and finished goods represents annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.

NRV signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to be incurred to effect such sale.

3.4 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.5 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

3.6 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks. Short-term borrowings availed by the Company which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of cash flow statement.

3.7 Investments

Regular way purchase or sale of investments

All purchases and sales of investments are recognized using trade date accounting. Trade date is the date that the Company commits to purchase or sell the investment.

All investments are initially recognized at fair value, being the cost of consideration given including transaction cost associated with the investment, except in case of investment classified as at fair value through profit or loss, where the transaction costs are charged to the profit and loss account.

Management determines the appropriate classification of investment made by the Company in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of purchase.

Investment at fair value through profit or loss

An investment is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value.

After initial recognition, such investments are remeasured at fair value determined with reference to their market value. Gains or losses on investments due to remeasurement are recognized in profit and loss account on reporting date.

Associates

Associates are entities over which the Company exercises significant influence. Investment in associates is accounted for using equity basis of accounting, under which the investment in associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of profit or loss of the associate after the date of acquisition. The Company's share of profit or loss of the associate is recognized in the Company's profit and loss account. Distributions received from associate reduce the carrying amount of the investment. Adjustments to the carrying amount are also made for changes in the Company's proportionate interest in the associate arising from changes in the associates' other comprehensive income that have not been recognized in the associate's profit or loss. The Company's share of those changes is recognized in other comprehensive income of the Company.

The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and the fair value less costs to sell) with its carrying amount and loss, if any, is recognized in profit or loss.

Derecognition

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

3.8 Borrowings and their costs

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently at amortized cost. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

3.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account.

Current

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any. The charge for income tax includes adjustments to charge for prior year.

Deferred

Deferred tax is recognized using balance sheet liability method, providing for temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

The Company recognizes deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.10 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for its confirmed employees who have completed the minimum qualifying period of service as defined under the scheme. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. The most recent valuation of the scheme was carried out as at June 30, 2018.

Remeasurement changes which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

3.11 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

3.12 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into Pak Rupees at the rates prevailing on the balance sheet date.

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

3.13 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

Interest income is recognized on a time proportionate basis using the effective rate of return.

3.14 Financial instruments

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

3.15 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.16 Impairment of financial instruments

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.

Non-financial assets

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

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

3.17 Provisions

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

3.18 Dividend and appropriation to / from reserves

Dividend distribution to the Company's shareholders and appropriation to / from reserves is recognized in the period in which these are approved.

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The BOD has been identified as the chief operating decision maker responsible for strategic decisions like allocation of resources and assessing performance of operating segments. As disclosed in note 1.1 to the financial statements, the Company has two manufacturing facilities at Gadoon Amazai Industrial Estate and on Super Highway (near Karachi) which are viewed as a single reportable segment because of the similarity in nature of the products and services, nature of the production processes, type or class of customers for the products and services and the methods used to distribute the products.

3.20 Earnings per share

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	**2018**	2017
		(Rupees in ‘000)	
Operating fixed assets	4.1	**7,344,400**	6,855,143
Capital work-in-progress	4.2	**447,528**	592,551
		7,791,928	7,447,694

4.1 Operating fixed assets

Particulars	Cost as at July 01, 2017	Additions / (Disposals)	Cost as at June 30, 2018	Accumulated depreciation as at July 01, 2017	Depreciation for the year / (Disposals)	Accumulated depreciation as at June 30, 2018	Carrying value as at June 30, 2018	Rate of depreciation
	2018							
	(Rupees in '000)							%
Land:								
Leasehold	59,180	-	59,180	9,065	647	9,712	49,468	1
Freehold	880	-	880	-	-	-	880	-
Buildings on leasehold land:								
Mills	2,033,114	1,285	2,034,399	906,802	112,747	1,019,549	1,014,850	10
Roads	43,488	3,968	47,456	17,765	2,903	20,668	26,788	10
Power plant	178,146	-	178,146	90,292	8,785	99,077	79,069	10
Office	60,513	-	60,513	19,257	4,126	23,383	37,130	10
Workers' colony	202,539	-	202,539	62,315	14,022	76,337	126,202	10
Other	414,001	18,499	432,500	141,055	14,011	155,066	277,434	5
Buildings on freehold land:								
Family colony	179,396	-	179,396	88,150	9,125	97,275	82,121	10
Workers' colony	123,727	-	123,727	93,294	3,043	96,337	27,390	10
Plant and machinery	9,857,740	957,830 (142,709)	10,672,861	5,594,075	476,474 (122,570)	5,947,979	4,724,882	10
Power plant	1,111,140	151,094 (15,000)	1,247,234	699,969	42,249 (10,308)	731,910	515,324	10
Electric installations	451,371	4,960	456,331	250,094	20,436	270,530	185,801	10
Tools and equipment	13,774	-	13,774	10,622	315	10,937	2,837	10
Furniture and fittings	24,895	-	24,895	12,172	1,272	13,444	11,451	10
Computer equipment	21,444	3,614 (383)	24,675	17,260	1,701 (267)	18,694	5,981	30
Office equipment and installations	22,694	924 (148)	23,470	11,933	1,133 (123)	12,943	10,527	10
Fork lifters and tractors	38,094	-	38,094	29,193	1,780	30,973	7,121	20
Vehicles	154,649	122,021 (28,473)	248,197	88,021	20,946 (14,791)	94,176	154,021	20
Fire fighting equipment	11,847	-	11,847	6,155	569	6,724	5,123	10
June 30, 2018	**15,002,632**	**1,264,195 (186,713)**	**16,080,114**	**8,147,489**	**736,284 (148,059)**	**8,735,714**	**7,344,400**	

Additions to operating fixed assets include transfers from capital work-in-progress amounting to Rs. 1.26 billion.

For comparative period

Particulars	Cost as at July 01, 2016	Additions / (Disposals)	Cost as at June 30, 2017	Accumulated depreciation as at July 01, 2016	Depreciation for the year / (Disposals)	Accumulated depreciation as at June 30, 2017	Carrying value as at June 30, 2017	Rate of depreciation
	2017							
	(Rupees in '000)							%
Land:								
Leasehold	59,180	-	59,180	8,418	647	9,065	50,115	1
Freehold	880	-	880	-	-	-	880	-
Buildings on leasehold land:								
Mills	2,031,978	1,136	2,033,114	781,972	124,830	906,802	1,126,312	10
Roads	42,328	1,160	43,488	14,928	2,837	17,765	25,723	10
Power plant	175,666	2,480	178,146	80,646	9,646	90,292	87,854	10
Office	60,513	-	60,513	14,673	4,584	19,257	41,256	10
Workers' colony	202,539	-	202,539	46,502	15,813	62,315	140,224	10
Other	411,292	2,709	414,001	126,750	14,305	141,055	272,946	5
Buildings on freehold land:								
Family colony	179,396	-	179,396	78,011	10,139	88,150	91,246	10
Workers' colony	123,727	-	123,727	89,913	3,381	93,294	30,433	10
Plant and machinery	9,864,515	113,888 (120,663)	9,857,740	5,230,204	467,773 (103,902)	5,594,075	4,263,665	10
Power plant	1,116,140	- (5,000)	1,111,140	657,443	45,732 (3,206)	699,969	411,171	10
Electric installations	450,891	480	451,371	227,739	22,355	250,094	201,277	10
Tools and equipment	13,774	-	13,774	10,272	350	10,622	3,152	10
Furniture and fittings	24,895	-	24,895	10,759	1,413	12,172	12,723	10
Computer equipment	20,267	1,397 (220)	21,444	15,916	1,497 (153)	17,260	4,184	30
Office equipment and installations	20,242	2,729 (277)	22,694	11,008	1,022 (97)	11,933	10,761	10
Fork lifters and tractors	38,094	-	38,094	26,968	2,225	29,193	8,901	20
Vehicles	141,991	26,402 (13,744)	154,649	82,614	14,768 (9,361)	88,021	66,628	20
Fire fighting equipment	11,847	-	11,847	5,522	633	6,155	5,692	10
June 30, 2017	**14,990,155**	**152,381 (139,904)**	**15,002,632**	**7,520,258**	**743,950 (116,719)**	**8,147,489**	**6,855,143**	

Additions to operating fixed assets include transfers from capital work-in-progress amounting to Rs. 148.26 million.

	Note	2018	2017
		(Rupees in ‘000)	

4.1.1 Depreciation charged for the year has been allocated as under:

	Note	2018	2017
Cost of sales	22.1	**715,545**	726,311
Administrative expenses	24	**20,739**	17,639
		736,284	743,950

4.1.2 Disposal of operating fixed assets having net book value in excess of Rs. 500,000

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain / (loss)	Mode of disposal	Purchaser	h
	-- (Rupees in '000) --							
Plant and Machinery	8,495	7,088	1,407	150	(1,257)	Negotiation	M/S Swabi Textile Mills Limited (Private) Limited	
	4,345	3,762	583	160	(423)	Negotiation	M/S AMS Enterprises	
	4,345	3,762	583	160	(423)	Negotiation	M/S AMS Enterprises	
	16,992	14,711	2,281	300	(1,981)	Negotiation	M/S AMS Enterprises	
	16,953	14,906	2,047	300	(1,747)	Negotiation	M/S AMS Enterprises	
	21,784	19,577	2,207	450	(1,757)	Negotiation	M/S AMS Enterprises	
	2,725	1,743	982	160	(822)	Negotiation	M/S AMS Enterprises	
	4,287	3,548	739	160	(579)	Negotiation	M/S AMS Enterprises	
	5,502	4,852	650	160	(490)	Negotiation	M/S AMS Enterprises	
	4,576	3,815	761	160	(601)	Negotiation	M/S AMS Enterprises	
	14,962	13,114	1,848	1,542	(306)	Negotiation	M/S Agha Traders	
	4,864	3,098	1,766	315	(1,451)	Negotiation	M/S Agha Traders	
	4,174	3,025	1,149	140	(1,009)	Negotiation	Mr. Shoukat Ali	
	114,004	97,001	17,003	4,157	(12,846)			
Power plant	15,000	10,308	4,692	9,186	4,494	Negotiation	M/S Orient Energy System (Private) Limited	
Vehicle	1,049	507	542	718	176	Company policy	Mr. Naeem Ullah - Employee	
	1,569	78	1,491	1,491	-	Negotiation	M/S Lucky Landmark (Private) Limited - Associated Company	
	1,664	1,102	562	1,165	603	Company policy	Mr. Khalid Cheema - Employee	
	1,034	528	506	985	479	Insurance Claim	Alfalah Insurance Company Limited	
	6,096	-	6,096	6,096	-	Negotiation	M/S Yunus Energy Limited - Associated Company	
	11,412	2,215	9,197	10,455	1,258			
Total	140,416	109,524	30,892	23,798	(7,094)			

4.1.3 Leasehold and freehold land are situated at the manufacturing facilities having combined area of 137.8 acres.

4.2 Capital work-in-progress

	Gadoon Amazai					Karachi Project					
	Civil works	Plant and machinery	Advances to supplier	Markup capitalized	Sub-total	Civil works	Plant and machinery	Advances to supplier	Markup capitalized	Sub-total	Total
	-----(Rupees in '000)-----										
Year ended June 30, 2018											
Balance as at July 1, 2017	**-**	**239,897**	**7,924**	**41,739**	**289,560**	**12,711**	**288,366**	**686**	**1,228**	**302,991**	**592,551**
Additions during the year	**5,253**	**713,657**	**109,870**	**10,302**	**839,082**	**106,072**	**150,045**	**14,129**	**5,306**	**275,552**	**1,114,634**
Transfers to operating assets	**(5,253)**	**(712,539)**	**(112,429)**	**(9,824)**	**(840,045)**	**(18,499)**	**(386,602)**	**(9,592)**	**(4,919)**	**(419,612)**	**(1,259,657)**
Balance as at June 30, 2018	**-**	**241,015**	**5,365**	**42,217**	**288,597**	**100,284**	**51,809**	**5,223**	**1,615**	**158,931**	**447,528**
Year ended June 30, 2017											
Balance as at July 1, 2016	-	216,282	-	38,126	254,408	2,708	-	-	-	2,708	257,116
Additions during the year	-	82,922	29,158	3,613	115,693	17,488	343,427	5,854	1,228	367,997	483,690
Transfers to operating assets	-	(59,307)	(21,234)	-	(80,541)	(7,485)	(55,061)	(5,168)	-	(67,714)	(148,255)
Balance as at June 30, 2017	-	239,897	7,924	41,739	289,560	12,711	288,366	686	1,228	302,991	592,551

	Note	2018	2017
		(Rupees in '000)	
5. LONG-TERM ADVANCE			
- Considered doubtful			
Investment in a joint venture - Advance	5.1	**66,667**	66,667
Less: Provision against advance		**(66,667)**	(66,667)
		-	-

5.1 This represents first and second tranche of advance for a Joint Venture project of Rs. 4,250 million. The principal activity of the Joint Venture Project was acquisition and development of a real estate project in Karachi through a Joint Venture Company. The Company's share in this Joint Venture project is ten percent. Currently, the future of this project is not certain and the recovery of this amount is considered doubtful.

	Note	2018	2017
		(Rupees in '000)	
6. LONG-TERM LOANS			
- Considered good			
Loan to employees	6.1		
Related parties - Key management personnel		**21,757**	18,338
Other employees		**33,017**	20,319
		54,774	38,657
Less: current portion	11	**(19,443)**	(15,181)
		35,331	23,476

6.1 These are interest free loans recoverable in monthly installments over a period of three years. These loans are secured against employees' retirement benefit obligation.

6.2 The maximum amount of loans to the key management personnel outstanding at the end of any month during the year ended June 30, 2018 was Rs. 24.04 million (2017: Rs. 24.82 million).

	Note	2018	2017
		(Rupees in '000)	

7. LONG-TERM INVESTMENTS

Investment in associates

	Note	2018	2017
ICI Pakistan Limited (ICIP)	7.2	**1,661,022**	1,571,147
Lucky Holdings Limited (LHL)	7.3	**185,341**	164,843
Yunus Energy Limited (YEL)	7.4	**840,557**	736,725
		2,686,920	2,472,715

7.1 The Company's investment in ICIP, LHL and YEL is less than 20% but these are considered associates as the Company has significant influence over the financial and operating policies through representation on the board of directors of these companies.

7.2 Investment in ICI Pakistan Limited (ICIP) - at equity method

	2018	2017
Number of shares held	**5,980,917**	5,980,917
Cost of investment (Rupees in '000)	**1,114,963**	1,114,963
Fair value of investment (Rupees in '000)	**4,793,705**	6,546,413
Ownership interest	**6.48%**	6.48%
Balance as at July 01	**1,571,147**	1,463,896
Share of profit	**213,688**	212,551
Share of other comprehensive loss	**(16,157)**	(3,624)
Dividend received	**(107,656)**	(101,676)
Balance as at June 30	**1,661,022**	1,571,147

The financial year end of ICIP is June 30, 2018. Summarized financial highlights of ICIP and the related share of the Company as at year end are as follows:

	2018	2017
	(Rupees in '000)	
Total assets	**45,012,532**	36,801,927
Total liabilities	**(24,979,698)**	(19,076,155)
Net assets	**20,032,834**	17,725,772
Company's share of net assets	**1,298,128**	1,148,630
Revenue	**49,992,068**	41,771,218
Profit for the year	**3,297,654**	3,280,107
Company's share of profit	**213,688**	212,551
Other comprehensive loss for the year	**(249,330)**	(55,924)
Company's share of other comprehensive loss	**(16,157)**	(3,624)

	2018	2017
	(Rupees in ‘000)	

7.3 Investment in Lucky Holdings Limited (LHL) - at equity method

	2018	2017
Number of shares held	**1,500,000**	1,500,000
Cost of investment (Rupees in ‘000)	**74,920**	74,920
Ownership interest	**1%**	1%
Balance as at July 01	**164,843**	137,575
Share of profit	**22,301**	27,683
Share of other comprehensive loss	**(1,803)**	(415)
Balance as at June 30	**185,341**	164,843

The financial year end of LHL is June 30, 2018. Summarized financial highlights of LHL as at year end and the related share of the Company are as follows:

	2018	2017
	(Rupees in ‘000)	
Total assets	**50,773,791**	43,157,194
Total liabilities	**(27,269,327)**	(22,933,435)
Net assets	**23,504,464**	20,223,759
Company's share of net assets	**235,045**	202,238
Revenue	**49,992,068**	41,771,218
Profit for the year	**3,032,209**	2,915,771
Company's share of profit	**22,301**	27,683
Other comprehensive loss for the year	**(243,169)**	(55,924)
Company's share of other comprehensive loss	**(1,803)**	(415)

7.4 Investment in Yunus Energy Limited (YEL) - at equity method

	2018	2017
Number of shares held	**61,136,500**	61,136,500
Cost of investment (Rupees in ‘000)	**611,365**	611,365
Ownership interest	**19.98%**	19.98%
Balance as at July 01	**736,725**	592,861
Share of profit	**241,181**	143,864
Share of other comprehensive income	**208**	-
Dividend received	**(137,557)**	-
Balance as at June 30	**840,557**	736,725

The financial year end of YEL is June 30, 2018. Summarized financial highlights of YEL as at year end and the related share of the Company are as follows:

	2018	2017
Total assets	**12,392,073**	12,863,391
Total liabilities	**(8,272,755)**	(9,263,049)
Net assets	**4,119,318**	3,600,342

	2018	2017
	(Rupees in '000)	
Company's share of net assets	**823,040**	719,348
Revenue	**2,601,285**	1,865,025
Profit for the year	**1,205,903**	720,042
Company's share of profit	**241,181**	143,864
Other comprehensive income for the year	**1,039**	-
Company's share of other comprehensive income	**208**	-

8. **STORES, SPARES AND LOOSE TOOLS**

	2018	2017
Stores	**261,155**	235,027
Spares in		
- hand	**291,393**	276,026
- transit	**47,810**	38,933
Loose tools	**1,062**	833
	601,420	550,819
Less: Provision for slow moving stores and spares	**(52,101)**	(59,029)
	549,319	491,790

9. **STOCK-IN-TRADE**

	2018	2017
Raw material in		
- hand	**5,838,903**	3,436,226
- transit	**477,945**	721,359
	6,316,848	4,157,585
Work-in-process	**286,033**	262,525
Finished goods		
- Yarn	**707,074**	1,150,054
- Knitted fabric	**44,712**	24,783
- Waste	**114,894**	105,631
	866,680	1,280,468
	7,469,561	5,700,578

10. **TRADE DEBTS**
- Considered good

	2018	2017
Foreign - Secured	**861,002**	577,775
Local - Unsecured	**1,603,179**	1,172,994
	2,464,181	1,750,769

10.1 Trade balances outstanding from associated companies are as:

	2018	2017
Lucky Textile Mills Limited	**4,634**	22,000
Lucky Knits (Private) Limited	**1,745**	-
	6,379	22,000

10.2 The maximum amount due from related parties, at the end of any month during the year were Rs. 181.8 million (June 30, 2017: Rs. 164.95 million). The transactions with associated companies are carried on arm's length basis.

10.3 Following are the details of debtors in relation to export sales:

Jurisdiction	Category	Note	2018	2017
			(Rupees in '000)	
Asia	Letter of credit		658,407	341,926
	Contract		-	36,153
Europe	Letter of credit		-	17,004
	Contract		46,618	44,800
Central America	Letter of credit		154,242	-
North America	Letter of credit		-	10,738
	Contract		1,735	127,154
Total	Letter of credit		812,649	369,668
	Contract		48,353	208,107

11. LOANS AND ADVANCES

- Unsecured - considered good

	Note	2018	2017
Current portion of long-term loans	6	**19,443**	15,181
Advances to employees		**8,457**	13,229
Advance to suppliers and contractors	11.1	**251,764**	233,745
Letters of credit, fee and expenses		**407**	386
Advance against shares	11.2	**6,925**	-
		286,996	262,541

11.1 This includes advance given for pilot project of dairy farm business amounting to Rs. 138.07 million (2017: Rs. 146.14 million).

11.2 This represents advance against investment in following companies. The shares will be issued in due course in accordance with the regulatory requirements.

	Note	2018	2017
		(Rupees in '000)	
Tricom Wind Power (Private) Limited		**1,797**	-
Tricom Solar Power (Private) Limited		**4,534**	-
Yunus Wind Power Limited		**594**	-
		6,925	**-**

12. OTHER RECEIVABLES

Considered good

	Note	2018	2017
Sales tax		**433,623**	744,065
Federal excise duty		**27,762**	27,995
Claims receivable		**33,865**	8,416
Rebate receivable on export sales		**460,723**	145,550
Other		**2,104**	2,071
		958,077	928,097
Considered doubtful			
Claims receivable	20.1.2	**20,000**	20,000
Sales tax	12.1	**52,439**	52,439
Other	12.2	**5,600**	5,600
		78,039	78,039
Provision for doubtful other receivables		**(78,039)**	(78,039)
		-	-
		958,077	928,097

12.1 Pursuant to SRO 179 of 2013 dated March 7, 2013, the Company filed a special sales tax return and paid Rs. 52.4 million being 2% of the value of zero rated supplies made by the Company during the period from April 2011 to February 2013. The said amount has been paid by the Company under protest and it has filed an appeal before the tax authority for refund of such amount. However, being prudent, the Company has fully provided the amount in the financial statements.

12.2 The Company received a demand cum show cause notice for the amount of Rs. 13.169 million from Custom Authorities deleting their Manufacturing Bond Entry for import of Polyester Staple Fiber (PSF). The Company has paid Rs. 5.6 million under protest against this demand and also made provision for the same amount. Since the goods were imported for re-export, the Federal Board of Revenue has rectified the anomaly through S.R.O. 688(I)/2010 dated July 27, 2010. Management believes that no further provision is required for the remaining amount and the amount so paid shall become refundable.

	Note	**2018**	2017
		(Rupees in '000)	
13. CASH AND BANK BALANCES			
Cash in hand		**8,119**	**10,123**
Cash with banks in - current account	13.1	**180,744**	**153,803**
		188,863	**163,926**

13.1 It includes balances in foreign currency bank accounts amounting to US Dollars 7,126 equivalent to Rs. 0.865 million (2017: US Dollars 336,980 equivalent to Rs. 35.316 million).

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		**2018**	2017
Number of shares			**(Rupees in '000)**	
6,000,000	6,000,000	Ordinary shares of Rs. 10 each fully paid in cash	**60,000**	60,000
17,437,500	17,437,500	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**174,375**	174,375
4,592,083	4,592,083	Ordinary shares of Rs. 10 each issued as fully paid pursuant to amalgamation	**45,921**	45,921
28,029,583	28,029,583		**280,296**	280,296

14.1 As at June 30, 2018, Y.B Holdings (Private) Limited (the Holding Company) hold 19,499,741 (2017: 19,499,741) ordinary shares respectively of Rs. 10 each.

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

15. LONG-TERM FINANCE
- Banking companies - secured

The Company has entered into a long term finance agreement with United Bank Limited, with an approved limit of Rs. 605 million as at June 30, 2018, whereas further facility of Rs. 895 million has been approved subsequent to the year end. The facility carries a mark-up ranging from 2.1% to 2.3% payable on a quarterly basis. The tenure of this facility is 10 years including grace period of 2 years. The Company has drawn Rs. 594.3 million upto June 30, 2018.

The above financing agreement is secured by pari passu charge over plant and machinery of the Company.

	Note	2018	2017
		(Rupees in '000)	

16. RETIREMENT BENEFIT OBLIGATION

	Note	2018	2017
Retirement benefit obligation	16.1	**533,769**	446,314

16.1 Staff retirement gratuity

The Projected Unit Credit method based on following significant assumptions was used for valuation of the scheme. The basis of recognition together with details as per actuarial valuation are as under:

	2018	2017
Discount rate	**8%**	8%
Salary increase rate (Long term)	**8%**	8%
Salary increase rate (Short term)	**12% for 2 years**	12% for 3 years
Mortality rate	**Adjusted SLIC 2001-05**	Adjusted SLIC 2001-05

	Note	2018	2017
		(Rupees in '000)	

16.2 Liability recognized in the balance sheet

	Note	2018	2017
Present value of defined benefit obligation		**533,769**	446,314

16.3 Movement in liability during the year

	Note	2018	2017
Balance as at July 1		**446,314**	447,453
Expense recognized in profit and loss	16.4	**180,700**	148,522
Total remeasurements recognized in other comprehensive income	16.5	**(7,297)**	(36,458)
Benefits paid		**(85,948)**	(113,203)
Balance as at June 30		**533,769**	446,314

16.4 Expense recognized in profit and loss account

	2018	2017
Current service cost	**148,433**	113,346
Interest cost	**32,267**	35,176
	180,700	148,522

16.5 Total remeasurements recognized in other comprehensive income

	2018	2017
Actuarial gain on liability arising on		
- financial assumptions	**-**	(27,314)
- demographic assumptions	**3,028**	-
- experience adjustments	**(10,325)**	(9,144)
	(7,297)	(36,458)

16.6 Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	Change in assumption %	Increase / (decrease) in defined benefit obligation	
		Increase in assumption	Decrease in assumption
		(Rupees in '000)	
Discount rate	1	**(6,412)**	6,558
Salary growth rate	1	**8,671**	(8,601)

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the balance sheet.

16.7 The gratuity scheme exposes the Company to the following risks:

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

Salary increase risk: The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salaries are higher than expectation and impacts the liability accordingly.

Withdrawal risk: The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

16.8 The weighted average duration of defined benefit obligation as at June 30, 2018 is 32.7 years (2017: 32.2 years).

17. Deferred tax liabilities

Deferred tax liability comprises of taxable / (deductible) temporary differences in respect of following:

	2018	2017
	(Rupees in '000)	
Deferred credits / (debits) arising due to:		
- Accelerated tax depreciation on property, plant and equipment	**719,199**	699,968
- Provision against retirement benefit obligation	**(101,253)**	(84,384)
- Provision against long-term advance	**(12,647)**	(12,605)
- Provision against stores and spares	**(9,883)**	(11,160)
- Provision against doubtful other receivables	**(14,803)**	(14,755)
- Share of profit from associates	**115,662**	91,318
	696,275	668,382

17.1 The income tax department did not allow credit of unabsorbed tax depreciation worked out for the tax holiday period from 1990 to 2000 against the profits of post tax holiday period. The Company filed appeal before the Commissioner of Inland Revenue (Appeals) and Appellate Tribunal Inland Revenue. In 2012, the matter was decided in favour of the Company but appeal effect order had not been given by the tax department. The income tax department filed appeal in Peshawar High Court and the matter is pending adjudication. Deferred tax asset approximately of Rs. 264.62 million on tax depreciation related to tax exempt period from 2010 to 2012 has also not been recorded due to uncertainty of recovery.

18. TRADE AND OTHER PAYABLES

	Note	2018	2017
		(Rupees in '000)	
Creditors		**459,588**	433,845
Foreign bills payable		**132,822**	372,058
Advance from customers		**52,075**	126,323
Accrued liabilities		**2,305,943**	1,668,356
Withholding income tax		**1,388**	178
Sales tax		**11,391**	9,195
Workers' welfare fund		**96,213**	91,189
Workers' profit participation fund	18.1	**642**	57,102
Others		**28,417**	21,171
		3,088,479	2,779,417

		Note	2018	2017
			(Rupees in '000)	
18.1	**Workers' profit participation fund**			
	Balance as at July 1		**57,102**	-
	Provision made during the year	26	**77,825**	57,102
	Interest on funds utilized in business	25	**14,302**	-
	Payments made during the year		**(148,587)**	-
	Balance as at June 30		**642**	57,102

		Note	2018	2017
19.	**SHORT-TERM BORROWINGS**			
	Banking companies - secured			
	Running finance under mark-up arrangements	19.1	**6,819,999**	677,014
	Short-term finances	19.2	**2,889,750**	1,500,000
	Foreign currency loan against:			
	- Import finance	19.1	**-**	6,002,310
	- Export finance	19.1	**-**	33,365
	- Export re-finance	19.3	**155,157**	423,303
			155,157	6,458,978
			9,864,906	8,635,992

19.1 Facilities for running finance, import finance, export finance and export refinance are available from various banks upto Rs. 27.78 billion (2017: Rs. 24.78 billion). For running finance facility, the rates of mark-up range between KIBOR + 0.00% to KIBOR + 0.20% per annum (2017: KIBOR + 0.00% to KIBOR + 0.20% per annum) and for import and export finance the rate of mark-up are based on LIBOR + bank's spread (which is decided at the time of disbursement). These are secured against hypothecation of stock, receivables and plant and machinery.

19.2 This represents short term finance facilities under sub-limit of the facilities mentioned in note 19.1 from various banks having mark-up ranging between KIBOR - 0.12% to KIBOR + 0.00% per annum (2017: KIBOR - 0.12% to KIBOR + 0.06% per annum). These are secured against hypothecation of stock and charge on receivables and plant and machinery.

19.3 The rate of mark-up on export re-finance is 2.1% (2017: 2.1%)

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 Outstanding guarantees given on behalf of the Company by banks in normal course of business amounting to Rs. 990.04 million (2017: Rs. 949.04 million).

20.1.2 In prior years, Sui Northern Gas Pipeline Limited (SNGPL) charged the Company with an amount of Rs. 168 million on account of under billing of gas. The Company lodged a complaint with the Appellate Authority (the Authority) against SNGPL and on January 21, 2010, the Authority partly admitted the plea of the Company and allowed partial relief of Rs. 53.89 million. The Company has paid Rs. 113.63 million in prior years. Subsequent to the decision of the Authority, both the Company (to claim additional relief) and SNGPL (against the relief provided) have filed appeals with higher authorities against the decision. Management is of the view that no further liability will arise as it is expected that the final outcome of this case will be in its favour.

20.1.3 The Company filed a suit before the High Court of Sindh, challenging the applicability of Gas Infrastructure Development Cess (GIDC) Act, 2011. The Sindh High Court has restrained the Federation and gas companies from recovering GIDC over and above Rs. 13 per MMBTU. On August 22, 2014, the Supreme Court of Pakistan declared that the levy of GIDC as a tax was not levied in accordance with the Constitution and hence not valid.

In September 2014, the Federal Government promulgated GIDC Ordinance No. VI of 2014 to circumvent earlier decision of the Supreme Court on the ground that GIDC was a 'Fee' and not a 'Tax'. In May 2015, the said Ordinance was approved in the Parliament and became an Act.

The Company has challenged GIDC Act, 2015 and filed writ petition in the Peshawar High Court (PHC) challenging the vires and legality of the levy and demand of GIDC including its retrospective application. The Court has granted stay against charging of the GIDC under the said Act.

On May 31, 2017, PHC dismissed the said petition, however, the Company has obtained interim relief from the payment of GIDC through monthly bills. Further, the Company has filed Civil Petition for Leave to Appeal (CPLA) in honourable Supreme Court, against the said order of PHC.

Since this issue is being faced by industry at large, management is of the view that there is no need to maintain any provision against this liability. The management is confident that decision of the case will be in its favour.

20.1.4 National Accountability Bureau (NAB) had filed a reference on February 2, 2016 against Executives of the Company in the Accountability Court (Peshawar), alleging that the Company purchased electricity from Peshawar Electric Supply Company (PESCO) at a cheaper price and at the same time it sold the electricity to PESCO at a higher price. The management believes that the allegations are false, unsubstantiated and unfounded. The case is devoid of merits as the Company sold the electricity after required approvals, licences and at price on which all captive power plants were selling electricity to distribution companies in accordance with approved policy of Government of Pakistan.

20.1.5 The Finance Act 2010 had introduced Clause 126F in Part I of Second Schedule of Income Tax Ordinance, 2001 (the Ordinance) exempting the tax on profits and gains derived by a tax payer located in the 'war on terror' affected areas of Khyber Pakhtunkhwa. As a result of this change, the income of the Company including tax on export proceeds for tax years 2010 to 2012 was exempt. However, the said clause does not specifically address the exemption of turnover tax under Section 113. In this regard, some companies located in the affected areas filed a petition in Peshawar High Court against the recovery of turnover tax seeking a declaration regarding Section 113 and 159 as discriminatory and contrary to the Constitution and the Court granted a relief restraining the recovery of turnover tax. The Company along with other companies in the affected areas also filed the petition on the same grounds. The Peshawar High Court in its order dated July 19, 2012, directed the respondents to extend the benefit to the Company. Subsequently, the Chief Commissioner Inland Revenue filed an appeal in the Supreme Court of Pakistan against the Company and other tax payers of the affected areas, which is pending for adjudication.

Through the Finance Act, 2015, a sub clause (XX) of clause 11(A) of the Second Schedule to the Ordinance has been added which gives relief to the Company that Section 113 does not apply to the tax payers falling under clause 126F. However, the matter of tax charged on other than local sales i.e. tax on export, is still pending for adjudication.

Based on the judgment of the Peshawar High Court management believes that the Company will not be subject to tax on export sales and hence, has not made any provision on account of tax on export sales for the years ended June 30, 2010, 2011 and 2012.

20.1.6 The Additional Commissioner Inland Revenue, Peshawar has passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) disallowing sales made to customers outside specified area as defined vide Clause 126F, Part I of Second Schedule to the Ordinance in the light of Federal Board of Revenue's Circular no.14 of 2011 dated October 06, 2011 and levied tax thereon amounting to Rs. 90 million. Subsequently, the order has been set-aside by Commissioner Inland Revenue and directed for fresh assessment proceedings. The hearing of re-assessment proceedings have already been completed, order of which is awaited. However, the Company has also filed writ petition before the High Court of Peshawar to challenge the vires of Circular no.14 of 2011 issued for clarification under Clause (126F) which creates the anomaly and misinterpretation of said clause. The matter is pending for adjudication.

20.1.7 The Income Tax return of FTML for the tax year 2013 was amended under section 122(5A) by Additional Commissioner Income Revenue (ACIR) vide its order dated March 4, 2014 on account of certain disallowances primarily against Workers Welfare Fund (WWF). The Company filed an appeal against the amended order against which Commissioner Inland Revenue Appeals (CIRA) allowed some relief to the Company. Both the Company and tax department being dissatisfied had filed an appeal in the Appellate Tribunal which is pending adjudication. On the other hand Federal Board of Revenue (FBR) has selected said return for the audit under sections 177 and 214C. In pursuance to the aforementioned audit the amended assessment order was further amended by the Deputy Commissioner Inland Revenue (DCIR) making additions of Rs 1.625 million on account of certain disallowed expenses, levied WWF of Rs. 9.158 million and also restricted tax refundable to the amount of advance tax thereby reducing it by Rs. 48.885 million. The Company had filed an appeal before CIRA against the said audit on the grounds that the assessment was prejudicially re-amended without evaluating current status. The appeal is pending adjudication.

Based on the opinion of tax advisors of the Company, the management believes that the aforementioned matters will ultimately be decided in the favour of the Company. Accordingly, no provision is required to be made against the said amounts in these financial statements.

20.1.8 The Assistant Commissioner Inland Revenue (ACIR), Peshawar, has passed an order for the Tax Year 2015 which was under audit. The Company has preferred an appeal before the Commissioner Inland Revenue (Appeals) (CIRA) against the frivolous demand created by the ACIR. CIRA has given partial relief and the tax demand has now been reduced to Rs. 462 million. The Company has filed a second appeal before the Appellate Tribunal Inland Revenue (ATIR) for relief of remaining unjustified additions, which is pending for hearing. According to the Company's legal counsel, the Company has a strong legal ground and there is likelihood that the same will be decided in its favour. Therefore no additional provisions has been recorded.

20.1.9 Others

	2018	2017
	(Rupees in '000)	
Export bills discounted with recourse	**2,562,265**	1,540,624
Indemnity bond in favour of Collector of Customs against imports	**4,105**	4,105
Post-dated cheques in favour of Collector of Customs against imports	**456,182**	684,890

20.2 Commitments

	2018	2017
Letters of credit opened by banks for:		
Plant and machinery	**254,806**	-
Raw materials	**267,771**	477,625
Stores and spares	**63,280**	28,035
Foreign currency forward contracts	**-**	9,315

Further, the Company has outstanding contractual commitment under sponsors support agreement, for debt servicing of two loan installments upto Rs. 338 million on behalf of Yunus Energy Limited, an associated undertaking.

21. SALES - net

	Note	2018	2017
		(Rupees in '000)	
Export			
- Yarn		**8,853,725**	6,476,222
- Knitted fabric		**930,130**	625,566
- Waste		**649,668**	559,758
		10,433,523	7,661,546
Commission on direct export sales		**(103,972)**	(78,591)
		10,329,551	7,582,955
Local			
- Yarn		**16,578,091**	15,313,594
- Knitted fabric		**489,645**	220,895
- Waste		**271,507**	204,051
		17,339,243	15,738,540
Commission on local sales		**(75,572)**	(67,942)
Sales tax		**(38,535)**	(4,975)
		17,225,136	15,665,623
		27,554,687	23,248,578

22. COST OF SALES

	Note	2018	2017
Opening stock - finished goods		**1,280,468**	641,035
Cost of goods manufactured	22.1	**25,196,009**	22,559,218
Less: Closing stock - finished goods	9	**(866,680)**	(1,280,468)
		25,609,797	21,919,785

		Note	2018	2017
			(Rupees in '000)	
22.1	**Cost of goods manufactured**			
	Raw material consumed	22.1.1	**17,713,068**	15,252,169
	Salaries, wages and benefits	22.1.2	**2,048,132**	2,030,634
	Stores, spares and loose tools		**622,643**	579,050
	Packing material		**572,185**	481,821
	Rent, rates and taxes		**2,832**	2,522
	Doubling charges		**13,969**	13,879
	Dyeing, stitching and knitting charges		**164,159**	88,980
	Mixing charges		**31,004**	31,533
	Depreciation	4.1.1	**669,202**	676,031
	Fuel and power	22.1.3	**3,263,816**	3,302,058
	Repairs and maintenance		**23,103**	19,118
	Printing and stationary		**350**	964
	Legal and professional		**8,525**	1,052
	Entertainment		**5,904**	4,936
	Fee and subscriptions		**7,893**	8,301
	Insurance		**36,637**	42,875
	Travelling and conveyance		**20,332**	17,404
	Communication		**3,427**	3,062
	Other manufacturing expenses		**12,336**	14,383
			25,219,517	22,570,772
	Work-in-process			
	Opening stock		**262,525**	250,971
	Closing stock	9	**(286,033)**	(262,525)
			(23,508)	(11,554)
	Cost of goods manufactured		**25,196,009**	22,559,218

		Note	2018	2017
22.1.1	**Raw material consumed**			
	Opening stock		**4,157,585**	3,381,252
	Purchases - net		**19,872,331**	16,028,502
	Less: Closing stock	9	**(6,316,848)**	(4,157,585)
			17,713,068	15,252,169

22.1.2 Salaries, wages and benefits include Rs. 165.69 million (2017: Rs. 144.27 million) in respect of staff retirement benefits.

22.1.3 This includes depreciation expense of Rs. 46.34 million (2017: Rs. 50.28 million).

		2018	2017
		(Rupees in '000)	
23.	**DISTRIBUTION COST**		
	Logistic and related charges	**304,599**	180,158
	Loading and others	**30,637**	28,061
	Fee and subscriptions	**25,285**	18,592
	Salaries, wages and benefits	**28,691**	22,393
	Bank charges on export documents	**24,962**	14,377
	Travelling and conveyance	**11,211**	6,592
	Vehicles running and maintenance	**1,851**	1,291
	Insurance	**5,117**	4,626
	Communication	**2,585**	2,785
	Entertainment	**108**	32
	Printing and stationary	**392**	168
	Repairs and maintenance	**126**	77
	Others	**1,747**	669
		437,311	279,821

23.1 Salaries, wages and benefits include Rs. 3.13 million (2017: Rs 1.5 million) in respect of staff retirement benefits.

		Note	2018	2017
			(Rupees in '000)	
24.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	24.1	**127,428**	104,260
	Legal and professional		**5,430**	8,229
	Depreciation	4.1.1	**20,739**	17,639
	Travelling and conveyance		**8,644**	3,461
	Electricity		**12,306**	11,421
	Fee and subscriptions		**8,777**	15,821
	Vehicles running and maintenance		**10,700**	8,606
	Insurance		**10,587**	7,320
	Communication		**6,053**	4,708
	Entertainment		**2,286**	1,892
	Secretarial expenses		**1,977**	2,740
	Auditors' remuneration	24.2	**1,300**	1,300
	Printing and stationary		**3,190**	2,170
	Repairs and maintenance		**2,459**	1,186
	Advertisement		**160**	352
	Rent, rates and taxes		**330**	335
	Books and periodicals		**54**	53
	Others		**1,825**	2,422
			224,245	193,915

24.1 Salaries, wages and benefits include Rs. 11.88 million (2017: Rs 2.73 million) in respect of staff retirement benefits.

24.2 **Auditors' remuneration**

	2018	2017
Statutory audit fee	**1,150**	1,150
Half yearly review and other certifications	**150**	150
	1,300	1,300

25. **FINANCE COST**

	Note	2018	2017
Mark-up / interest on:			
Long-term finance		**9,352**	-
Short-term borrowings		**516,307**	315,729
Workers' profit participation fund	18.1	**14,302**	-
		539,961	315,729
Bank and other financial charges		**50,329**	31,713
		590,290	347,442
Less: borrowing cost capitalized	25.1	**(15,608)**	(4,841)
		574,682	342,601

25.1 Borrowing cost is capitalized at weighted average borrowing capitalization rate of 3.77% (2017: 6.28%).

		Note	2018	2017
			(Rupees in '000)	
26.	**OTHER OPERATING EXPENSES**			
	Exchange loss on foreign currency transactions - net		**76,007**	12,693
	Workers' profit participation fund	18.1	**77,825**	57,102
	Workers' welfare fund		**5,024**	19,325
	Loss on disposal of operating fixed assets - net		**2,357**	-
	Others		**180**	180
			161,393	89,300

		2018	2017
		(Rupees in '000)	

27. OTHER INCOME

Income from financial assets

	2018	2017
Profit on deposit accounts	**1,515**	1,830
Realized gain on short-term investment	**-**	98,171
Dividend income	**-**	2,440
	1,515	102,441

Income from non-financial assets

	2018	2017
Scrap sales	**36,077**	24,331
Rebate on export sales	**411,625**	148,834
Gain on disposal of operating fixed assets - net	**-**	2,078
	447,702	175,243
	449,217	277,684

28. TAXATION

	2018	2017
Current		
- for the year	**257,481**	258,170
- prior year	**1,682**	-
	259,163	258,170
Deferred	**29,187**	19,782
	288,350	277,952

28.1 Relationship between tax expense and accounting profit

The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as the total income of the Company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.

28.2 Management had a practice of recording tax expense based on the generally accepted interpretation of tax laws and accordingly sufficient provision in respect of taxation for last three years has been provided in these financial statements.

28.3 Subsequent to the ammendment of section 5(A) of the Income tax Ordinance, 2001, tax at the applicable rate shall be imposed on every public company which derives profit for the year. However, this tax shall not apply in case of a company which distributes at least specified percentage of after tax profits within six months of the end of the tax year in the form of cash dividend. Liability in respect of such tax, if any, is recognized when the prescribed time period for distribution of dividend expires.

29. EARNINGS PER SHARE - Basic and Diluted

There is no dilutive effect on the basic earnings per share of the Company which is based on:

		2018	2017
Profit for the year	**Rupees in '000**	**1,185,296**	806,986
Number of ordinary shares		**28,029,583**	28,029,583
Earnings per share	**Rupees**	**42.29**	28.79

	Note	2018	2017
		(Rupees in '000)	

30. CASH GENERATED FROM OPERATIONS

	Note	2018	2017
Profit before taxation		**1,473,646**	1,084,938
Adjustments for:			
Depreciation		**736,284**	743,950
Loss / (gain) on disposal of property, plant and equipment		**2,357**	(2,078)
Finance cost		**574,682**	342,601
Share of profit from associates		**(477,170)**	(384,098)
Realized gain on short-term investment		**-**	(98,171)
Rebate on export sales		**(411,625)**	(148,834)
Profit on deposits		**(1,515)**	(1,830)
Provision for gratuity		**180,700**	148,522
Working capital changes	30.1	**(1,980,495)**	(122,536)
		(1,376,782)	477,526
Cash generated from operations		**96,864**	1,562,464

30.1 Working capital changes

	2018	2017
(Increase) / decrease in current assets		
Stores, spares and loose tools	**(57,529)**	24,120
Stock-in-trade	**(1,768,983)**	(552,163)
Trade debts	**(713,412)**	(203,130)
Loans and advances	**(20,193)**	8,176
Trade deposits and short-term prepayments	**(14,594)**	11,894
Other receivables	**285,154**	(334,074)
	(2,289,557)	(1,045,177)
Increase in current liabilities		
Trade and other payables	**309,062**	922,641
Working capital changes	**(1,980,495)**	(122,536)

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including benefits to chief executive, directors and executives of the Company were as follows:

	2018		2017	
	Chief Executive	**Executives**	Chief Executive	Executives
	Rupees in '000			
Remuneration	**14,580**	**33,037**	14,580	28,436
House rent	**1,980**	**9,911**	1,980	9,166
Utilities	**1,440**	**3,304**	1,440	2,844
Bonus	**1,875**	**5,316**	3,000	4,190
Medical	**-**	**3,304**	-	2,420
Leave encashment	**-**	**2,887**	-	3,008
Retirement benefit plans	**-**	**15,847**	-	7,648
	19,875	**73,606**	21,000	57,712
Number of persons	**1**	**20**	1	26

31.1 The Company also provides vehicles for use to Chief Executive and Executives as per Company policy.

31.2 Meeting fee of Rs. 0.993 million (2017: Rs. 0.678 million) has been paid to eight Directors.

	2018	2017

32. PRODUCTION CAPACITY

Spinning Mill

	2018	2017
Total number of spindles installed	**332,724**	321,676
Number of shifts worked per day	**3**	3
Number of days worked	**365**	365
Number of shifts worked	**1,094**	1,093
Average number of spindles worked	**352,519,113**	346,194,195
Installed capacity after conversion into 20's (Kgs)	**139,311,008**	133,423,624
Actual production after conversion into 20's (Kgs)	**132,048,782**	130,251,254
Actual production (Kgs)	**81,335,356**	77,607,237

Knitting

	2018	2017
Total number of knitting machines installed	**12**	12
Average number of days worked	**-**	-
Installed capacity (Kgs)	**1,485,000**	1,485,000

It is difficult to describe precisely the production capacity in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist per inch, raw material used, etc.

The knitting capacity has not been used during the year because the Company outsourced its knitting production in order to achieve lower cost of production.

33. NUMBER OF EMPLOYEES

	2018			2017		
Number of employees	**Factory**	**Others**	**Total**	Factory	Others	Total
- At June 30	**4,840**	**135**	**4,975**	4,801	131	4,932
- Average during the year	**4,848**	**139**	**4,987**	4,816	95	4,911

34. RELATED PARTY TRANSACTIONS

Transactions between the Company and the related parties are carried out as per agreed terms. Transactions with related parties, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 31 are as follows:

Name of Related Party	Basis of Relationship	% of share-holding	Nature of Transaction	2018	2017
				(Rupees in '000)	
Y.B.Holdings (Private) Limited	Holding Company	69.57%	Reimbursement of expenses	**1,342**	-
ICI Pakistan Limited	Associate	-	Purchase of fibre	**1,960,860**	1,308,722
			Sale of fiber	**-**	22,379
			Share of profit on investment	**213,688**	212,551
			Share of other comprehensive loss	**16,157**	3,624
			Dividend received	**107,656**	101,676
Yunus Energy Limited	Associate	-	Reimbursement of expenses	**12,382**	4,483
			Share of profit on investment	**241,181**	143,864
			Share of other comprehensive income	**208**	-
			Dividend received	**137,557**	-
			Vehicle sold	**6,096**	-
Lucky Holdings Limited	Associate	-	Share of profit on investment	**22,301**	27,683
			Share of other comprehensive loss	**1,803**	415
Lucky Cement Limited	Associated Company	-	Purchase of cement	**21,950**	3,336
			Reimbursement of expenses	**1,028**	706
Lucky Knits (Private) Limited	Associated Company	-	Yarn sold	**871,999**	646,705
			Vehicle and other item sold	**-**	410
			Yarn purchase	**724**	4,631
			Purchase of goods & services	**34,506**	33,909
			Reimbursement of expenses	**2,604**	-
Yunus Textile Mills Limited	Associated Company	-	Yarn sold	**291,700**	461,701
			Sale of waste	**20,780**	-
Lucky Textile Mills Limited	Associated Company	-	Yarn sold	**2,007,749**	2,151,762
			Sale of fabric	**470,583**	197,985
			Doubling charges	**-**	205
			Processing charges	**2,310**	3,454
			Reimbursement of expenses	**2,408**	-
Lucky Energy (Private) Limited	Associated Company	-	Purchase of electricity	**1,096,878**	1,109,849
			Reimbursement of expenses	**1,558**	-
Lucky One (Private) Limited	Associated Company	-	Vehicle sold	-	1,800
Lucky Landmark (Private) Limited	Associated Company	-	Vehicle sold	**1,491**	-
Tricom Wind Power (Private) Limited	Associated Company	-	Advance against shares	**1,797**	-
Tricom Solar Power (Private) Limited	Associated Company	-	Advance against shares	**4,534**	-
Yunus Wind Power Limited	Associated Company	-	Advance against shares	**594**	-
Kia Lucky Motors Pakistan Limited	Associated Company	-	Purchase of vehicle	**1,999**	-

	2018	2017
	(Rupees in '000)	

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 Financial instruments by category

Financial assets

Loans and receivables

	2018	2017
Loans to employees	**54,774**	38,657
Trade debts	**2,464,181**	1,750,769
Loans and advances	**8,864**	13,615
Other receivables	**496,692**	156,037
Cash and bank balances	**188,863**	163,926
	3,213,374	2,123,004

Financial liabilities

At amortized cost

	2018	2017
Long-term finance	**594,338**	-
Trade and other payables	**2,898,353**	2,474,259
Unclaimed dividend	**21,423**	15,354
Accrued mark-up	**129,830**	87,667
Short-term borrowings	**9,864,906**	8,635,992
	13,508,850	**11,213,272**

35.2 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarized as follows:

35.2.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to customers from any single country or single customer.

Credit risk of the Company arises principally from trade debts, loans and advances and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2018	2017
	(Rupees in '000)	
Long-term loans	**54,774**	38,657
Trade debts	**2,464,181**	1,750,769
Loans and advances	**8,864**	13,615
Other receivables	**496,692**	156,037
Bank balances	**180,744**	153,803
	3,205,255	2,112,881

The trade debts are due from foreign and local customers for export and local sales respectively. Majority of the trade debts from foreign customers are secured against letters of credit. Management assesses the credit quality of local and foreign customers, taking into account their financial position, past experience and other factors. As at the balance sheet date, there are no past due trade debt balances. For bank balances, financial institutions with strong credit ratings are accepted. Credit risk on bank balances is limited as these are placed with banks having good credit ratings. Loans to employees are secured against their gratuity balances.

35.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The following are the contractual maturities of financial liabilities, including interest payments, excluding the impact of netting agreements:

June 30, 2018	**Within 1 year**	**2 - 5 years**	**More than 5 years**	**Total**
	------ Rupees in '000 ------			
Financial liabilities				
Long-term financing	-	275,605	318,733	594,338
Trade and other payables	2,898,353	-	-	2,898,353
Unclaimed dividend	21,423	-	-	21,423
Accrued mark-up	129,830	-	-	129,830
Short-term borrowings	9,864,906	-	-	9,864,906
	12,914,512	**275,605**	**318,733**	**13,508,850**

June 30, 2017	**Within 1 year**	**2 - 5 years**	**More than 5 years**	**Total**
	------ Rupees in '000 ------			
Financial liabilities				
Trade and other payables	2,474,259	-	-	2,474,259
Unclaimed dividend	15,354	-	-	15,354
Accrued mark-up	87,667	-	-	87,667
Short-term borrowings	8,635,992	-	-	8,635,992
	11,213,272	**-**	**-**	11,213,272

The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by maintaining sufficient cash and bank balances and availability of financing through banking arrangements, which includes short-term borrowings and discounting of foreign receivables.

35.2.3 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 returns.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at June 30, 2018 the Company is not exposed to price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate risk arises from long and short-term borrowings from financial institutions. At the balance sheet date the interest rate risk profile of the Company's interest-bearing financial instruments is:

	2018	2017
	(Rupees in '000)	
Fixed rate instruments		
Financial liabilities	**749,495**	423,303
Variable rate instruments		
Financial liabilities		
- KIBOR based	**9,709,749**	2,177,014
- LIBOR based	**-**	6,035,675
	9,709,749	8,212,689

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in KIBOR based financial liabilities and 25 basis points change in LIBOR based financial liabilities at the reporting date would have increased / (decreased) equity and profit or loss by Rs. 97.09 million (2017: Rs. 36.86 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as in previous year.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions entered in foreign currencies. The Company is exposed to foreign currency risk on sales, purchases and borrowings, which, are entered in a currency other than Pak Rupees. As at year end, the financial assets and liabilities exposed to currency risk are as follows:

	2018	2017	**2018**	2017
	USD		**PKR in '000**	
Trade debts	**7,092,271**	5,513,111	**861,002**	577,775
Foreign currency bank balances	**7,126**	336,980	**865**	35,316
Import loan (LC's)	**-**	(56,804,781)	**-**	(5,964,502)
Export finance	**(1,278,064)**	(4,349,219)	**(155,157)**	(456,668)
Accrued mark-up	**(8,484)**	(225,659)	**(1,030)**	(23,694)
	CHF		**PKR in '000**	
Import loan (LC's)	**-**	(44,776)	**-**	(4,914)
Accrued mark-up	**-**	(449)	**-**	(49)
	Euro		**PKR in '000**	
Import loan (LC's)	**-**	(273,810)	**-**	(32,896)
Accrued mark-up	**-**	(636)	**-**	(76)

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rates	
	2018	2017	**2018**	2017
US Dollars to PKR	**109.91**	104.81	**121.6 / 121.4**	105.00 / 104.80
Euro to PKR	**131.12**	112.75	**141.57 / 141.33**	120.14 / 119.91
CHF to PKR	**113.22**	105.26	**122.32 / 122.11**	109.75 / 109.54

As at June 30, 2018, if the Pakistani Rupee had weakened / strengthened by 10% against the US Dollars, Euros and swiss franc with all variables held constant, profit or loss for the year would have been lower / higher by Rs. 70.6 million (2017: Rs. 586.971 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in previous year.

36. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

• **Level** 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

• **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2018, the Company has no financial instruments that falls into any of the above category.

37. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital, i.e., its shareholders' equity is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

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

38. OPERATING SEGMENT

These financial statements have been prepared on the basis of single reportable segment.

Revenue from sales of yarn represents 91.61% (2017: 93.16%) of total revenue whereas, remaining represents revenue from sales of knitted fabric and waste material.

All non current assets of the Company as at June 30, 2018 are located in Pakistan.

63.77% (2017: 66.89%) of sales of yarn are local sales whereas 36.23% (2017: 33.11%) of sales are export / foreign sales.

Revenue from single major customer of the Company represent 8.99% (2017: 10.11%) of total revenue of the Company.

39. CORRESPONDING FIGURES

Corresponding figures have been reclassified / rearranged wherever necessary for better presentation.

40. GENERAL

These financial statements has been rounded off to the nearest thousand rupees.

The Board of Directors proposed a final dividend for the year ended June 30, 2018 of Rs. 8.75 per share (2017: Rs. 5 per share) amounting to Rs. 245.26 million (2017: Rs. 140.15 million).

Further, during the year the Company has declared additional / interim cash dividend @ Rs. 6.75 per share in addition to final dividend @ Rs. 5 per share, making a total dividend of Rs. 11.75 per share in order to comply with the requirement of section 5(A) of Income Tax Ordinance, 2001 for the year ended June 30, 2017.

These financial statements were authorized for issue on July 30, 2018 by the Board of Directors of the Company.

Chairman / Director	Chief Executive Officer	Chief Financial Officer