

**KTM**  
Kohinoor Textile Mills Limited

# Annual Report 2018



**DELIVERING QUALITY THROUGH  
EXCELLENCE**



## DELIVERING QUALITY THROUGH EXCELLENCE

Entering in the era of third generation with expertise acquired over a period of more than half-century, our people have achieved excellence in production processes, product development and delivering unmatched quality products to our valued customers. Our commitment is to continue strengthening the value proposition by striving for operational excellence and efficiency across the organization. Innovative production technologies lead us to deliver the high-quality products while remaining cost effective.

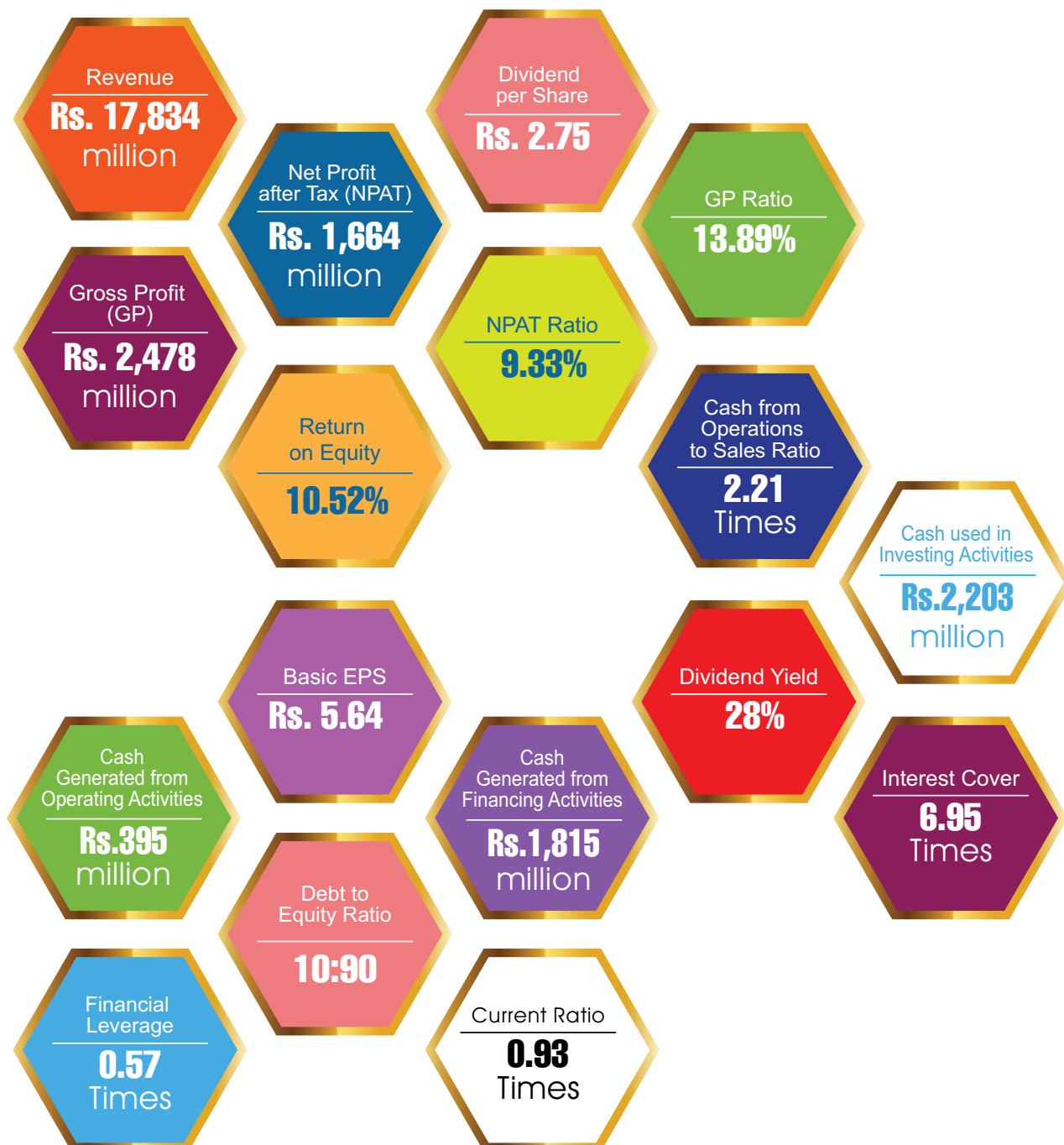
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# 2018

## YEAR AT A GLANCE





# ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT



## COMPANY PROFILE & PRINCIPAL BUSINESS ACTIVITIES

Kohinoor Textile Mills Limited (“the Company”) commenced textile operations in 1953 as a private limited company and became a public limited company in 1968.



The Company's spinning production facilities now comprise 157,488 ring spindles and 1,848 open end rotors capable of spinning a wide range of counts using cotton and man-made fibres. The weaving facilities at Raiwind comprise 288 looms capable of weaving a wide range of greige fabrics. The processing facilities at the Rawalpindi unit are capable of dyeing and printing fabrics for the home textile market. The stitching facilities produce a diversified range of home textiles for the export market. Both the dyeing and stitching facilities are being augmented to take advantage of greater market access. Fully equipped laboratory facilities for quality control and process optimization have been setup at all three sites.

The Company has been investing heavily in Information Technology, training of its human resources and preparing its management to meet the challenges of market integration.

The Company continues to ensure that its current competitive position is maintained as well as supporting the ongoing improvement process in our endeavour to maintain world's best manufacturing practice. Operations of the Company are subject to different environmental and labour laws. The Company is fully complying with all applicable environmental, labour, corporate and other relevant legal laws.

Product Portfolio – To cater to varying needs of the market, the Company produces the following products:

- Yarn
- Greige Fabric
- Dyed and Printed Fabric
- Home Textile Products (Bed Linen, Quilting, Embroidery, Curtains, etc)

The Company sell its products to local as well as international markets. Finished products of home textile business are mainly exported to Europe, America & Australia.





# COMPANY INFORMATION

## Board of Directors

Mr. Tariq Sayeed Saigol	Chairman
Mr. Taufique Sayeed Saigol	Chief Executive
Mr. Sayeed Tariq Saigol	
Mr. Waleed Tariq Saigol	
Mr. Danial Taufique Saigol	
Mr. Shafiq Ahmed Khan	
Mr. Arif Ijaz	
Syed Mohsin Raza Naqvi	

## Audit Committee

Mr. Shafiq Ahmed Khan	Chairman
Mr. Arif Ijaz	Member
Mr. Sayeed Tariq Saigol	Member
Mr. Waleed Tariq Saigol	Member

## Human Resource & Remuneration Committee

Mr. Shafiq Ahmed Khan	Chairman
Mr. Arif Ijaz	Member
Mr. Sayeed Tariq Saigol	Member
Mr. Danial Taufique Saigol	Member

## Chief Financial Officer

Syed Mohsin Raza Naqvi

## Company Secretary

Mr. Muhammad Ashraf

## Chief Internal Auditor

Mr. Zeeshan Malik Bhutta

## Auditors

M/s. Riaz Ahmad & Company  
Chartered Accountants

## Legal Adviser

Mr. Muhammad Salman Masood  
Advocate High Court

## Registered Office

42-Lawrence Road, Lahore.  
Tel: (0092-42) 36302261-62  
Fax: (0092-42) 36368721

## Share Registrar

Vision Consulting Limited  
1st Floor, 3-C, LDA Flats,  
Lawrence Road, Lahore  
Tel: (0092-42) 36283096-97  
Fax: (0092-42) 36312550  
E-Mail: shares@vcl.com.pk

## Bankers of the Company

Al Baraka Bank  
(Pakistan) Limited  
Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Faysal Bank Limited  
JS Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
PAIR Investment Company  
Limited  
The Bank of Punjab  
United Bank Limited

## Mills

- Peshawar Road, Rawalpindi  
Tel: (0092-51) 5495328-32 Fax: (0092-51) 5495304
- 8 K.M., Manga Raiwind Road, District Kasur  
Tel: (0092-42) 32560683-85, Fax: (0092-42) 32560686-87
- Gulyana Road, Gujar Khan, District Rawalpindi  
Tel: (0092-51) 3564472-74

## Website:

- [www.kmlg.com](http://www.kmlg.com)

Note -KTML's Financial Statements are also available at the above website

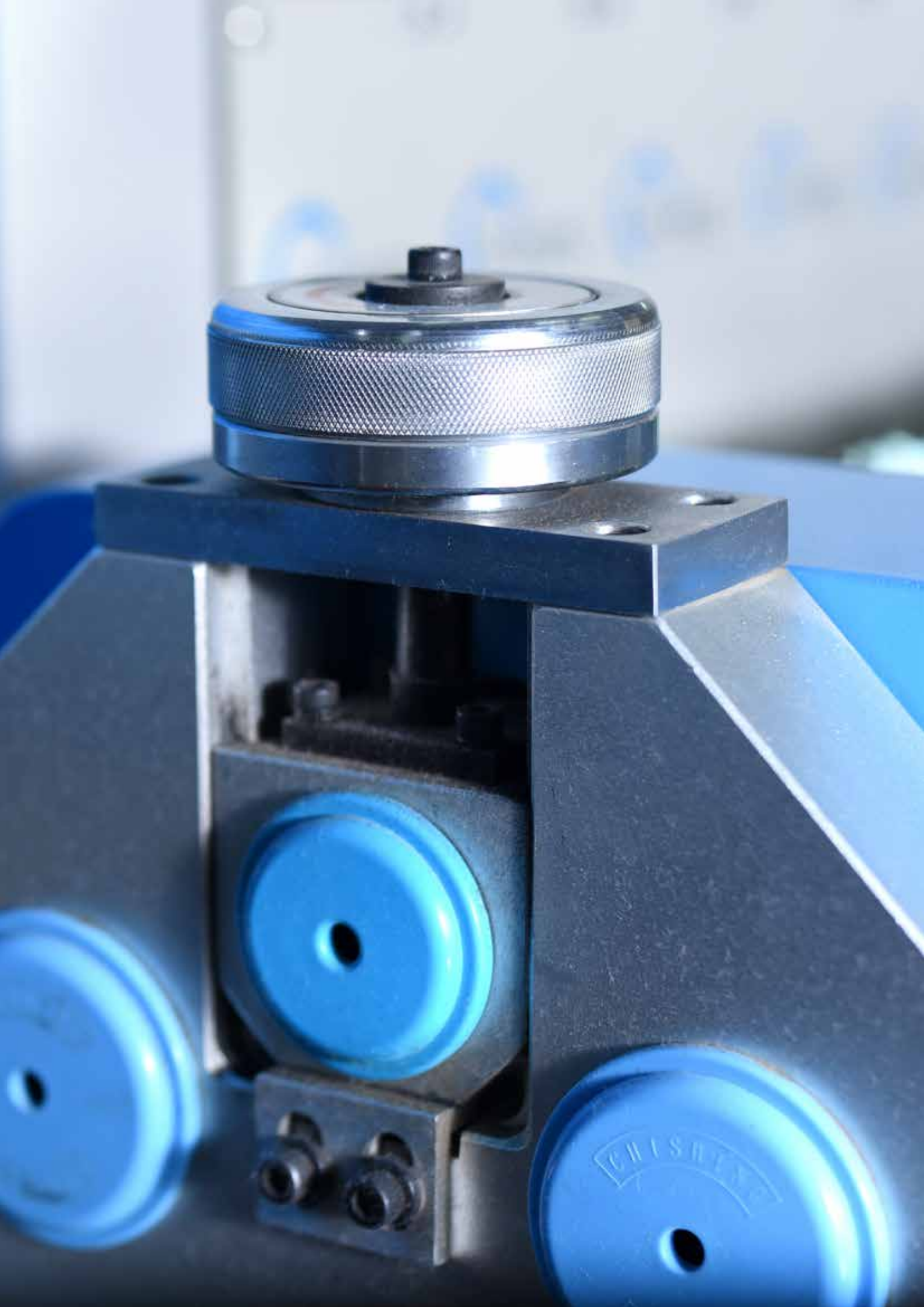


## OUR VISION

The Kohinoor Textile Mills Limited stated vision is to achieve and then remain as the most progressive and profitable Company in Pakistan in terms of industry standards and stakeholders' interest.

## OUR MISSION

The Company shall achieve its mission through a continuous process of having sourced, developed, implemented and managed the best leading-edge technology, industry best practice, human resource and innovative products and services and sold these to its customers, suppliers and stakeholders.







## OUR VALUES

### EMPATHY

We share each others' feelings and emotions, making us a stronger, more cohesive team; we communicate effectively and approach challenges collectively.

### INTEGRITY

We ensure adherence to moral and ethical principles; we act with honesty, we do not compromise our values.

### PASSION

It's about growth & success; we chase our goals and objectives – personal & professional – with the highest level of energy and enthusiasm.

# CODE OF BUSINESS CONDUCT AND ETHICAL PRINCIPLES

The following principles constitute the code of conduct which all directors and employees of Kohinoor Textile Mills Limited are required to apply in their daily work and observe in the conduct of Company's business.

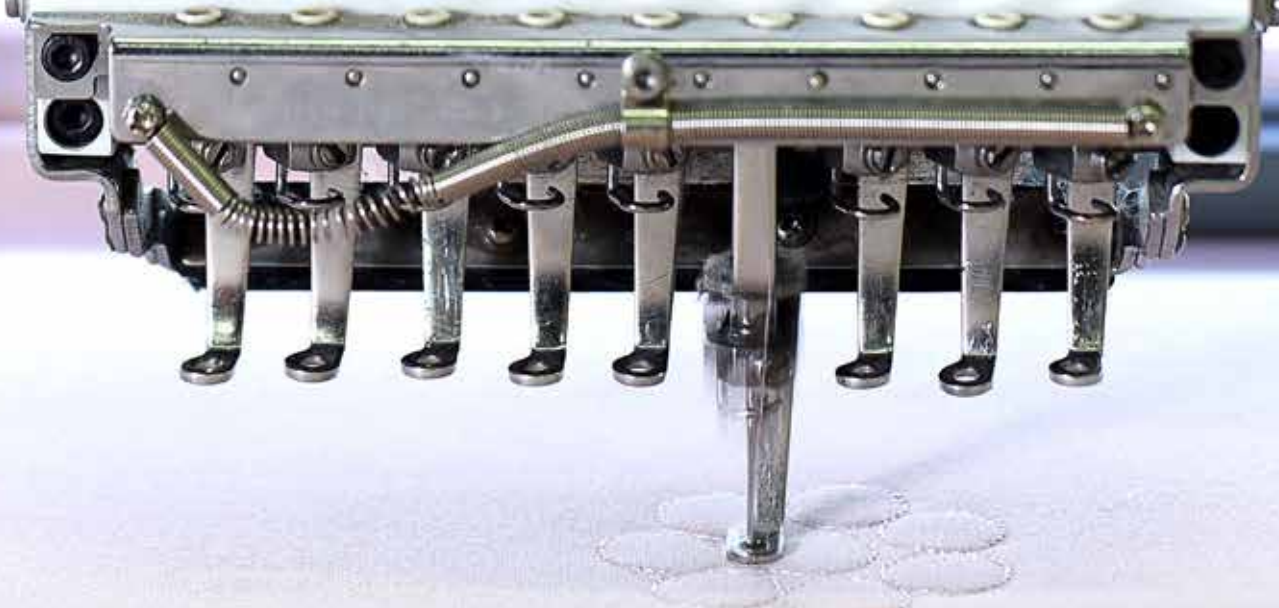
While the Company will ensure that all employees are fully aware of these principles, it is the responsibility of each employee to implement the Company's policies. Contravention is viewed as misconduct.

The code emphasizes the need for a high standard of honesty and integrity which are vital for the success of any business.

## ETHICAL PRINCIPLES

1. Directors and employees are expected not to engage in any activity which can cause conflict between their personal interest and the interest of the Company such as interest in an organization supplying goods/ services to the Company or purchasing its products. In case a relationship with such an organization exists, the same must be disclosed to the Management.
2. Dealings with third parties which include Government officials, suppliers, buyers, agents and consultants must always ensure that the integrity and reputation of the Company are not in any way compromised.
3. Directors and employees are not allowed to accept favours or kickbacks from any organization dealing with the Company.
4. Directors and employees are not permitted to divulge any confidential information relating to the Company to any unauthorized person. Nor should they, while communicating publicly on matters that involve Company business, presume to speak for the Company unless they are certain that the views that they express are those of the Company and it is the Company's desire that such views be publicly disseminated.
5. All employees share a responsibility for the Company's good public relations particularly at the community level. Their readiness to help with religious, charitable, educational and civic activities is accordingly encouraged provided it does not create an obligation that interferes with their commitment to the Company's best interests.
6. The Company has strong commitment to the health and safety of its employees and preservation of the environment and the Company will persevere towards achieving continuous improvement of its Health, Safety and Environment (HSE) performance by reducing potential hazards, preventing pollution and improving awareness. Employees are required to operate the Company's facilities and processes keeping this commitment in view.
7. Commitment and team work are key elements to ensure that the Company's work is carried out effectively and efficiently. Also, all employees will be equally respected and actions such as sexual harassment and disparaging remarks based on gender, religion, race or ethnicity will be avoided.





## CULTURE

Organisational culture in Kohinoor Textile Mills Limited depicts the Company's philosophy which is based on shared values and beliefs. The Company is committed to build a strong corporate culture based on its core value at the highest standards of Empathy, Integrity and Passion. The Company believes in empowering its people by encouraging a culture of collective efforts for the achievement of Company's vision and objectives followed by self-assessment for continuous improvement.

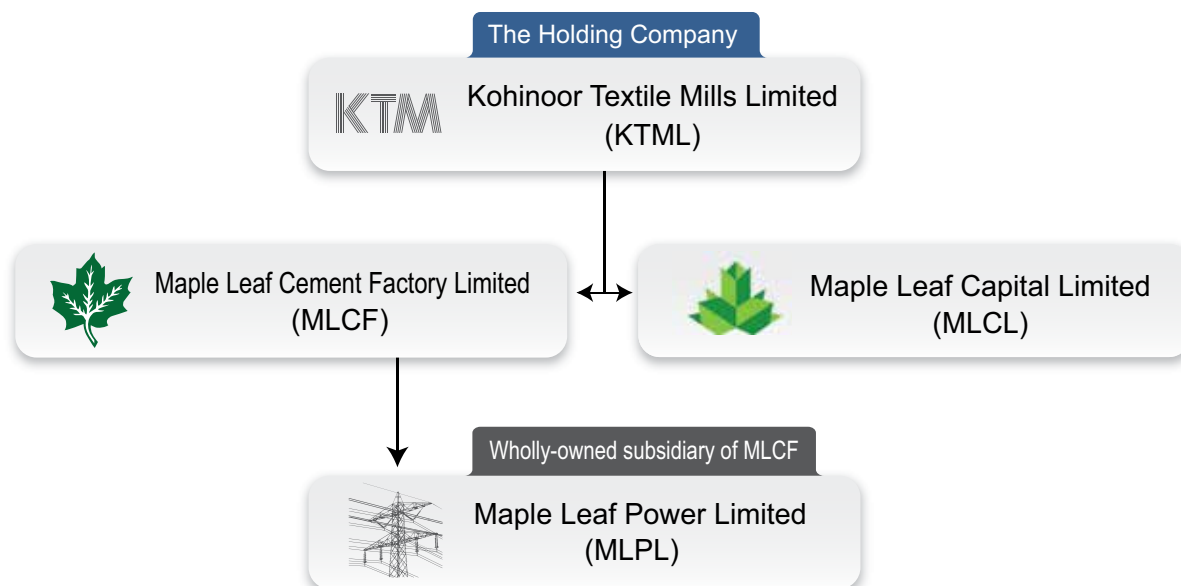


## CORPORATE STRATEGY

We, at Kohinoor Textile Mills Limited, manufacture and market yarn, cloth and wide range of textile products. Our strategy is to be competitive in the market through quality and efficient operations. As a responsible member of the community, we are committed to serve the interests of our stakeholders and contribute towards the prosperity of the Country.

# GROUP STRUCTURE

The Company is a part of Kohinoor Maple Leaf Group (KMLG). KMLG structure comprises of two listed public limited companies i.e. Kohinoor Textile Mills Limited (KTML) and Maple Leaf Cement Factory Limited (MLCF) and two unlisted public limited companies i.e. Maple Leaf Capital Limited (MLCL) and Maple Leaf Power Limited (MLPL).



KTML is a parent company of other three mentioned companies. The initial capacity of its Rawalpindi unit comprised 25,000 spindles and 600 looms. Later, fabric processing facilities were added and spinning capacity was augmented. Additional production facilities were acquired on the Raiwind-Manga Road near Lahore in District Kasur and on the Gulyana Road near Gujar Khan, by way of merger.

Maple Leaf Cement Factory Limited (MLCF) was incorporated in Pakistan on 13 April 1960 under the Companies Act, 1913 (now the Companies Act, 2017) as a public company limited by shares. The Company is listed on Pakistan Stock Exchange. The cement factory is located at Iskanderabad District Mianwali in the province of Punjab. The principal activity of the Company is production and sale of cement. The Company is a subsidiary of Kohinoor Textile Mills Limited (“the Holding Company”).

MLCF is also establishing an additional dry process clinker production line of 7,300 tpd grey clinker production for enhancing grey cement capacity upto 18,000 tons per day at the existing plant site (brown field project) with total project cost estimated at Rs.25 billion. Commercial production is expected to commence during following financial year.

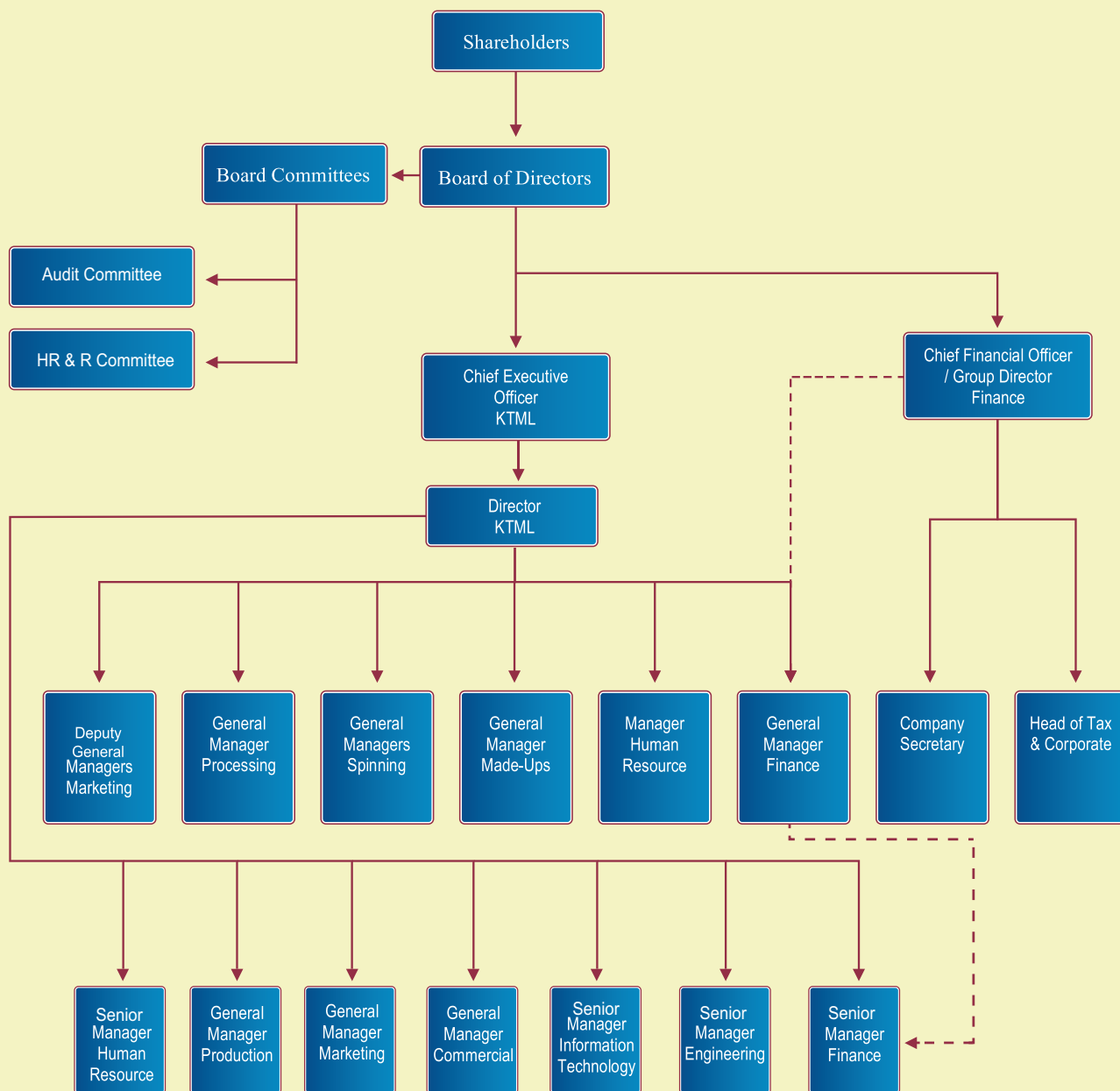
Maple Leaf Power Limited (MLPL), a wholly owned subsidiary of MLCF, an unlisted public limited company, has established a 40 MW Coal Fired Power Plant at Iskanderabad, District Mianwali which has successfully started its commercial production on 12th October 2017. The project was completed within budget and as per the planned timelines. The principal activity of MLPL is to generate, purchase, transform, distribute and supply electric power to MLCF. This project will add another reliable and inexpensive source of power compared to the national grid and reduce dependency on the same. It will also provide a cushion against current bullish trend in furnace oil prices and is expected to be the cheapest source of electricity after waste heat recovery plant.

Maple Leaf Capital Limited (MLCL) was incorporated in Pakistan on 25 April 2014 under the Companies Ordinance 1984 (now the Companies Act, 2017) as a public company limited by shares. The principal object of MLCL is to buy, sell, hold or otherwise acquire or invest its capital in any sort of financial instruments. MLCL is a subsidiary of KTML.



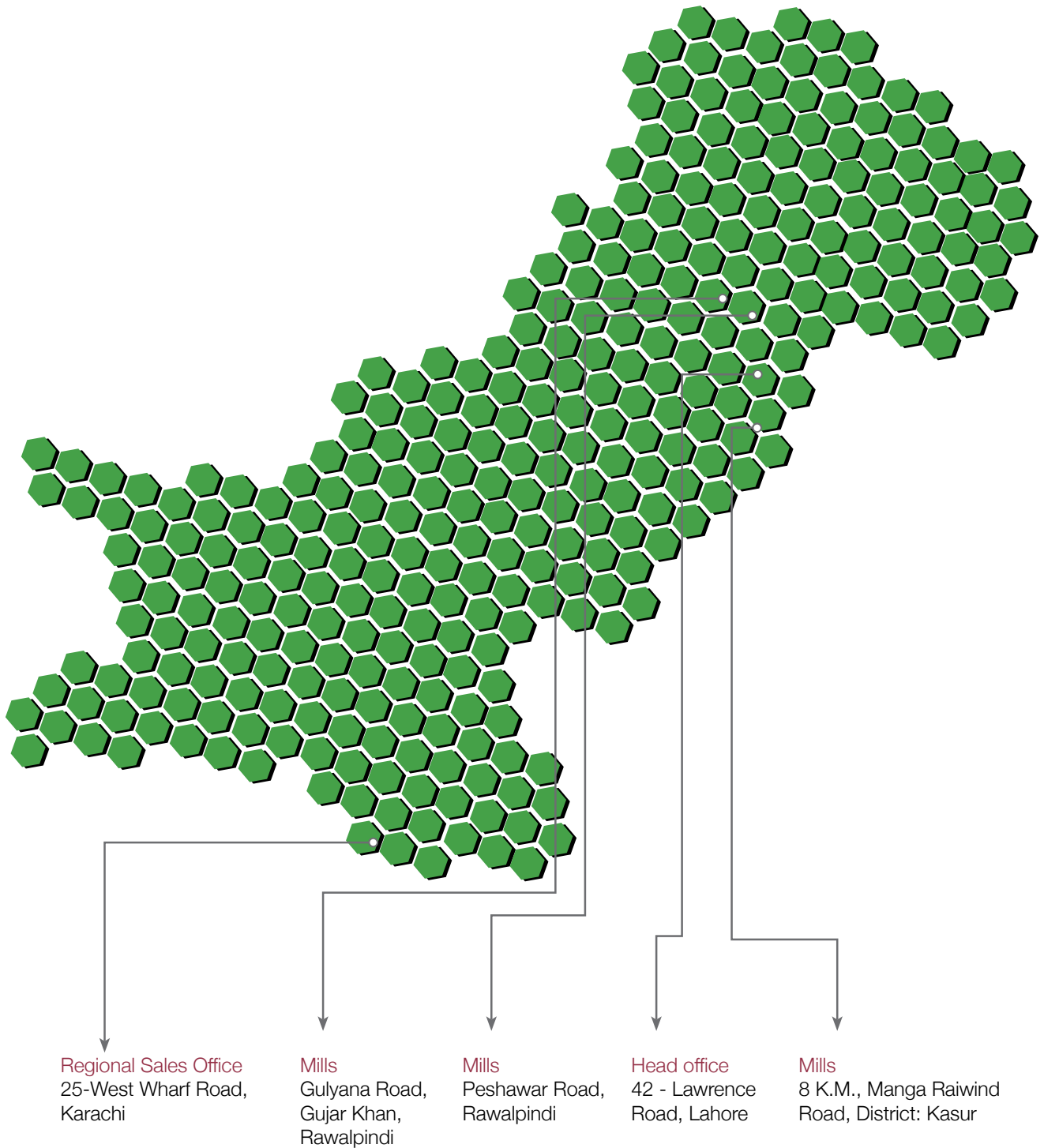


# ORGANIZATION CHART



**Legends:**  
 KTML: Kohinoor Textile Mills Limited  
 —> Administrative Reporting  
 - - - -> Functional Reporting

# GEOGRAPHICAL PRESENCE



# POSITION IN VALUE CHAIN



# FACTORS EFFECTING EXTERNAL ENVIRONMENT

External Component	Factors	Organizational response
Political	<ul style="list-style-type: none"> <li>• Transition of government from one political party to another has posed the risk of change of preferences on allocation of Public Sector Development Program (PSDP).</li> <li>• Prolonged political unrest badly impacting the performance of Pakistan Stock Exchange (PSX).</li> </ul>	<ul style="list-style-type: none"> <li>• Management proactively plans for different demand scenarios with the help of budgeting, forecasts and projections.</li> <li>• Exploring new export markets to efficiently utilize production capacities in response to reduction in sales volumetric growth in local market.</li> <li>• Regular market analysis by senior management and the Board.</li> <li>• Conducting corporate briefings and roadshows, both at national and international level, to mitigate the impact of government policies and actions on the market capitalization of the Company. It further helped increase and sustain foreign shareholding in the total capital structure of the Company.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>• Price hike in major input costs especially fuel and power .</li> <li>• Devaluation of local currency.</li> <li>• Inflation</li> </ul>	<ul style="list-style-type: none"> <li>• Commencement of commercial production of coal fired power project has resulted in a handsome decline in the overall power cost pool which led to a reduction in per ton power cost.</li> <li>• The Company met price hikes in input costs by;               <ul style="list-style-type: none"> <li>- Efficient procurement of cotton because of better negotiation.</li> <li>- Effective inventory management by meticulously reviewing inventory holding periods.</li> <li>- Cost reduction initiatives to control production and non-production related fixed costs.</li> </ul> </li> <li>• The Company avoided the enormous forex hit by paying maximum portion of LC of its ongoing expansion projects and procurement of raw materials.</li> </ul>



External Component	Factors	Organizational response
Social	<ul style="list-style-type: none"> <li>Stakeholders' inclination towards CSR compliant organizations.</li> <li>Better retention in organizations offering affordable health and educational facilities .</li> <li>Attitude change towards welfare of public at large.</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring compliance with all requirements of Corporate Social responsibility.</li> <li>The Company supports provision of educational facilities for public at large and the Board has approved the construction of Al-Aleem medical college in Ghulab Devi Educational Complex.</li> </ul>
Technological	<ul style="list-style-type: none"> <li>Technical obsolescence of production facilities .</li> <li>Continuous development of information technology infrastructures and Management Information Systems (MIS) software.</li> <li>Communication infrastructure .</li> </ul>	<ul style="list-style-type: none"> <li>The Company has the most novel technology to avoid any risk of technical obsolescence and keep on investing on BMR.</li> <li>The Company continuously invests in the robust hardware and software for system up-gradation and MIS. Recently company has implemented ERP modules for meeting latest reporting needs.</li> <li>The Company has ensured the provision of latest Microsoft outlook software to meet communication needs of all company personals internally and with all external stakeholder groups.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>Attitude towards and support for renewable energy.</li> <li>Air pollution &amp; deforestation.</li> <li>Lowering of underground water belt.</li> <li>Growing attention towards "green" attitudes.</li> </ul>	<ul style="list-style-type: none"> <li>The Company is successfully operating waste heat recovery project (WHRP) for steam generation from emitted heat of the engines.</li> <li>Planting trees to limit the emission of harmful gases in the atmosphere and to ensure maintenance and lifting up the underground water level by reducing the evaporation process.</li> <li>The Company has been approved the standards of ISO 14001 and ISO 18001 for complying with an effective Environmental Management System (EMS) and Occupational Health and Safety Assessment Series (OHSAS) requirements.</li> </ul>

External Component	Factors	Organizational response
Legal	<ul style="list-style-type: none"> <li>• Enforcement of new Companies Act, 2017.</li> <li>• Continuous amendment in the provisions of Income Tax Ordinance 2001, and Sales Tax Act 1990, resulting from finance bill on annual basis.</li> <li>• Amendments in the requirements of Code of Corporate Governance, Pakistan Stock Exchange rules and the requirements of SECP act.</li> <li>• Severe FBR actions to deter non- compliance and late payments.</li> <li>• Amendments in employment laws and industrial relations regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• The Company has engaged an efficient team of professionals to ensure compliance with all enacted and or substantially enacted statutes, acts and ordinances. It further equips the Company with an up to date knowledge of all prevailing legal requirements.</li> <li>• The Company ensures that all taxes and duties payments, whether income tax or sales tax, are made timely by having an effective cash management system in place.</li> <li>• The Company has equipped itself with a competent legal team to make itself updated on employment and industrial laws. It further helps the management in complying with requisite updates on timely basis.</li> </ul>

**Note:**

In connection with risk and opportunities pertaining to the Company, Board's efforts for determining level of risk, Board's statement regarding robust assessment of risks, information about default in payment of any debt and inadequacy in capital structure have been covered in the Directors' Report.

### SIGNIFICANT CHANGES FROM PRIOR YEARS

In comparison to the prior years, there is no significant change in organization and group structure as compared to structure reported in prior years. However, the external environment is constantly changing and rise in raw material prices globally followed by devaluation of Pak Rupee in comparison to US Dollar have affected the profitability of the Company.



# STRATEGY AND RESOURCE ALLOCATION



# STRATEGIC OBJECTIVES

## 2018 – 2019

Following are the main areas that constitute the strategic objectives of Kohinoor Textile Mills Limited: -

### Short Term Objectives

1. Effective use of available resources.
2. Improved capacity utilization of the Company's production facilities.

### Medium Term Objectives

3. Effective marketing and innovative concepts.
4. Modernization of production facilities to ensure the most effective production.
5. Further improvements in implementation of Code of Corporate Governance through optimization of management processes.
6. Strengthening independence in terms of secure supply of low-cost services and resources, including energy supply, transportation and logistics services.

### Long Term Objectives

7. Explore alternative energy resources.
8. Implementation of effective technical and human resource solutions. Personnel development, creating proper environment for professional growth of highly skilled professionals, ensuring safe labour environment, competitive staff remuneration and social benefits in accordance with scope and quality of their work.
9. Compliance with local and international environmental and quality management standards, implementation of technologies allowing to comply with the limitations imposed on pollutant emissions.
10. Implementation of projects in the social and economic development of communities.





## STRATEGIES AND MANAGEMENT OBJECTIVES



Management has the objective to transform the culture of the Company into highly customer driven, empowered and cross functionality focused company in order to maximize the return for stakeholders. Management has the belief that Quality may not be achieved without implementation of Key Performance Indicators (KPI's) in all the critical, contemporary areas of performance. Total

Quality Management team has been formed to monitor the KPI's in all the key areas on continuous basis and make corrective actions instantly where required. We strive to achieve our objectives with collective wisdom and empathy. We believe that training was and will remain the source of all process driven thinking. Accordingly, trainings for management team have been regularly arranged during the year 2017-18 and will continue in the year 2018-19. We have framed well-defined different teams to address the key areas like Team energy, Team strategy, Team Culture Development etc.

We have reduced variable cost due to efficient energy management and other cost reduction measures. The to-date result, financial and non-financial, are the reflection of achievement of management's objective which are strategically placed to increase the wealth of stakeholder. The said results are properly evaluated against the respective strategic objectives to confirm the achievement.

There is no material change in Company's objective and strategies from the previous year.

### ENTITY'S SIGNIFICANT RESOURCES

Our resources consist of mainly human resource, financial resource, and technological resource. The Company assorted and hired team of professionals with enormous expertise in latest technologies who proficiently design the ways for improving and upgrading our production process, networking and control systems. We have developed a dedicated team to analyse the human resource right from selection till retirement. We believe in adding value to our human resource by extensive trainings and development program.

# KEY PERFORMANCE INDICATORS (KPIs)

Following are some of the critical performance measures and indicators against stated objectives of the Company.

Sr. No.	Objectives	Measures
1	Effective use of available resources and improved capacity utilization of the Company's production facilities	Efficient production planning and control (PPC) department with responsibility to plan orders on timely basis in order to minimize the idle time.
2	Modernization of production facilities in order to ensure the most effective production	Efficient and state of the art production and management information system
3	Effective marketing and innovative concepts	Increase in contribution margin and sales volume
4	Strengthening independence in terms of secure supply of low-cost services and resources, including energy supply, transportation and logistics services	Decrease in variable cost
5	Explore alternative energy resources	Reduced dependence on national grid by way of generation through furnace and Gas
6	Further improvements in code of corporate governance through restructuring of assets and optimization of management processes	Number of notices received from government
7	Implementation of effective technical and human resource solutions. Personnel development, creating proper environment for professional growth of highly skilled professionals, ensuring safe labour environment, competitive staff remuneration and social benefits in accordance with scope and quality of their work	Well organized Human Resource Department. Number of non -conformities raised.
8	Compliance with local and international environmental and quality management standards, implementation of technologies allowing to comply with the limitations imposed on pollutant emissions	Compliance with ISO requirements and specific requirements from various international customers
9	Implementation of projects in social and economic development of communities.	Allocation of funds for CSR

Management believes that current key performance measures continue to be relevant in future as well.





## LIQUIDITY AND FINANCIAL CAPITAL MANAGEMENT

Our liquidity condition has improved over the period with reduced payment cycle. The management has a balanced team of suitably qualified professionals who have breadth of experience and knowledge of best practices in liquidity management pertaining to policies, processes, regulatory constraints, tax considerations and liquidity management system.

The Company continues its efforts to maintain debts at a reasonable level which supports the long-term objectives of the company and improve its liquidity position. Keeping in line with plant modernization strategy, Moreover, the Company continued its strategy to utilize maximum cash profits for the payment of debts.

Management believes that there is no inadequacy in capital structure in status quo.

## SIGNIFICANT PLANS AND DECISIONS

The Company's initial 1-MW solar installation has been a great success and we are currently on track to expand our renewable energy footprint in working towards becoming a truly "green" manufacturer. Now company is planning to undertake a 2-MW solar power plant and will hopefully be a success in the coming year. This project, in combination with recently installed 1-MW solar power plant, will help reduce average power generation cost.

Experimentation to completely reuse treated effluent in an effort to dramatically reduce freshwater usage is afoot and will hopefully be a success in the coming year.

# RISKS AND OPPORTUNITIES



# RISKS AND OPPORTUNITIES ANALYSIS

The Board of Directors is committed to minimize the risks and take advantage of potential opportunities to systematically and sustainably improve the value of the Company for all stakeholders. Management has adopted a risk management approach and internal control framework, based on its business philosophy and corporate objectives, which is explained below:

## STRATEGY FORMULATION

Management reviews the Statement of Strategic Objectives annually that represent the Stakeholders' expectations and are the lead indicators for determining the success level of the Company. To materialize the objectives, Management adopts certain strategies. These strategies are approved by the Board of Directors and are subject to adjustment, depending upon any changes in the external business environment or internal organizational factors.

## RISK ASSESSMENT

Risk assessment is an on-going process that highlights numerous uncertainties that poses potential threats which may hinder the accomplishment of objectives of the Company. If these risks are not being addressed in timely manner, may culminate in loss. Such risks and uncertainties can arise both from external as well as internal factors within the Company. Broad categories of risks which may hinder operations of the Company are as follows:

RISKS TYPE	IMPLICATION
Strategic Risks	Strategic risks can be defined as the uncertainties and untapped opportunities embedded in strategic intent. These risks are key matters for the Board of Directors, and impinge on the whole business, rather than just an isolated unit.
Commercial Risks	Commercial risks refer to potential losses arising from the trading partners or the market in which the Company operates.
Operational Risks	Operational risks refer to risks resulting from breakdowns in internal procedures, people and system.
Financial Risks	Financial risk is an umbrella term for multiple types of risk associated with financing, profitability, liquidity and credit..

## MATERIALITY APPROACH

Management believes materiality as a key component of an effective communication with stakeholders. The management has adopted materiality approach which is based on a combination of stakeholder engagement, understanding of environmental limits and strategic alignment. It has made the process, assumptions and evidence base for identifying material issues for more transparent, credible and amenable disclosures to have more transparency on risk and opportunities.

Not being conclusive, management considers that following are the major risks which may affect the operations of the Company and mitigating strategies for these risks.

## OBJECTIVES, RISK AND COUNTER MEASURES

Corporate Objective	Risk	Assessment	Mitigation Strategies
<p><b>Industry Competition:</b> To maintain Company's prominent position among leading export oriented Textile Companies.</p>	<p><b>Strategic Risk:</b> There is increasing competition among existing market players. Further, threat from new entrants are foreseen in the operating segment. <b>Source: External</b></p> <p><b>Commercial Risk:</b> Increasing prices of raw material &amp; overheads may affect the buying potential of customers and profit margins. <b>Source: External</b></p>	<p><b>Likelihood:</b> Medium <b>Magnitude:</b> High</p> <p><b>Likelihood:</b> Medium <b>Magnitude:</b> High</p>	<p>Company operates as a vertically integrated unit. Management takes proactive decisions and selects the product mix in spinning and weaving segments which may positively counter the adverse uncontrollable affects in the sales of home textile segment.</p>
<p><b>Legislative and Legal Environment:</b> To operate in a stable market being compliant with all relevant laws of the country and international regulations.</p>	<p><b>Strategic Risk:</b> More stringent legal requirements within the Country and in exportable markets. Changes and Reforms in existing laws &amp; regulations and legal uncertainties. <b>Source: External</b></p> <p><b>Commercial Risk:</b> Demand from international customers for being compliant for labor, health &amp; safety and raw material quality standards. <b>Source: External</b></p>	<p><b>Likelihood:</b> High <b>Magnitude:</b> Medium</p> <p><b>Likelihood:</b> Low <b>Magnitude:</b> High</p>	<p>Management exercises due care for procurement of raw materials. To meet the Health and Safety standards Company is actively following requirements of various certifications.</p>
<p><b>Technology:</b> To produce the best and highest quality product that meets the demands of Customers and quality standards.</p>	<p><b>Strategic Risk:</b> Technological shift may render production process obsolete and cost inefficient. <b>Source: External</b></p>	<p><b>Likelihood:</b> Low <b>Magnitude:</b> High</p>	<p>Management continuously invests considerable amounts for upgradation of technological infrastructure in order to remain competitive and cost efficient.</p>
<p><b>Operations:</b> To ensure continuity of operations without any disruptions in production and minimize idle time.</p>	<p><b>Operational Risk:</b> Company relies on various third parties for sourcing of quality goods and services. Business constraints faced by associated ventures may adversely affect the customer servicing of the Company. <b>Source: External/Internal</b></p>	<p><b>Likelihood:</b> Low <b>Magnitude:</b> High</p>	<p>Management believes in the capacity building of internal and external trading partners / vendors in order to increase their potential for timely sourcing of required goods &amp; services to the Company.</p>



Corporate Objective	Risk	Assessment	Mitigation Strategies
<p><b>Human Capital:</b> To recruit and retain the best people and provide adequate training to ensure high quality skilled force.</p>	<p><b>Operational Risk:</b> Loss of the qualified and competent staff. <b>Source: Internal</b></p>	<p><b>Likelihood:</b> Low <b>Magnitude:</b> Low</p>	<p>Management is continuously investing in the capacity building of its employees. A rigorous succession plan is also in place aimed to prepare the future leaders.</p>
<p><b>Health and Safety:</b> To ensure health and safety of employees in workplaces.</p>	<p><b>Operational Risk:</b> Operational Risk: Accidents can take place which can cause serious injuries to employees. <b>Source: Internal</b></p> <p>Unforeseen calamities and natural disasters may result in human loss. <b>Source: External</b></p>	<p><b>Likelihood:</b> Low <b>Magnitude:</b> Medium</p>	<p>Suitably qualified and well-equipped health and safety department is operational which continuously monitors the HSE conditions in the Company and takes the remedial actions as and when required.</p>
<p><b>Environment:</b> To ensure environment friendly products and processes.</p>	<p><b>Commercial Risk:</b> Hazardous emissions and discharges into air and water beyond the prescribed limits.</p> <p>Waste from operations may be disposed of in an inappropriate manner. <b>Source: Internal</b></p>	<p><b>Likelihood:</b> Low <b>Magnitude:</b> Medium</p>	<p>Management has installed the waste water treatment plant in order to meet the requirements of various regulatory authorities. Apart from that various initiatives are in process to reduce to the maximum possible minimum level the discharge of hazardous chemicals in water and air.</p>
<p><b>Finance:</b> To maintain strong financial position and produce financial performance which is reflective of the Company's scale of business and Shareholders' expectations</p>	<p><b>Financial Risk:</b> Increase in the cost of borrowing may limit the avenues for availability of sufficient working capital. <b>Source: External</b></p> <p>Payment defaults by counter parties may leave the Company with inadequate resources for discharging its own liabilities. <b>Source: External</b></p> <p>Devaluation of Pak. Rupee may further adversely affect the raw materials cost of spinning segment. <b>Source: External</b></p>	<p><b>Likelihood:</b> Low <b>Magnitude:</b> Medium</p> <p><b>Likelihood:</b> Low <b>Magnitude:</b> Medium</p> <p><b>Likelihood:</b> Low <b>Magnitude:</b> Medium</p>	<p>Management has addressed the risk of shortage of working capital by availing sufficient lines from the diversified financial institutions in order to meet the short-term finance requirements of the Company. Moreover, average credit period of the Company is also being improved along with improved operation cycle.</p> <p>Credit risk from counter parties is being addressed by frequent reviews of outstanding balances of major parties, and reconciliations after short time intervals to avoid the chance of disputed amounts / transactions.</p>

## OPPORTUNITY ANALYSIS

Unlocking and exploiting operational opportunities is an important aspect of Kohinoor entrepreneurial activities. We are committed to use existing products and new solutions to systematically enhance our growth and strengthen our position in global markets. Investing in new projects and increasing the productivity of existing ones are key elements for future organic growth. In the year under review, we strengthened the basis for further growth in the coming years by making selective investments in our existing businesses and developing innovations that support in achievement of company's stated vision.

In connection with risk and opportunities pertaining to the Company, Board's efforts for determining level of risk, Board's statement regarding robust assessment of risks, information about default in payment of any debt and inadequacy in capital structure have been covered in the Directors' Report.

Key opportunity	Impact area	Strategy to materialize
<p>Growing demand in local market</p> <p>Source: External</p>	<p>Social and relationship capital and Financial Capital</p>	<p>The Company has increased its capacity of fabric printing by adding a latest machine of digital printing technology.</p>
<p>Cost reduction by using innovative production technology</p> <p>Source: Internal</p>	<p>Manufactured capital</p>	<p>The Company, realizing the importance of reducing electric costs, has an active waste heat recovery plant at site which converts heat from power engine into steam, which was previously lost, into energy. Furthermore, the recent launch of its 1-MW solar power plant provides free electricity and another 2-MW project is in pipeline.</p>
<p>Development of human relations/resource</p> <p>Source: Internal</p>	<p>Human capital</p>	<p>Developing the human resource is engraved in the Company's mission statement and long-term objectives. By conducting extensive trainings and through its development program, the human resource add value to the Company with their professional ability, caliber and integrity.</p>
<p>Improvements in the business process</p> <p>Source: Internal</p>	<p>Financial capital</p>	<p>The Company can capture healthy profits through its ability to:</p> <ul style="list-style-type: none"> <li>• Operate at maximum capacity</li> <li>• Efficient cash management system</li> <li>• Making sound liquid investments</li> <li>• Effective control over inventory</li> </ul>





## KEY RISKS AND OPPORTUNITIES OF CAPITALS

FORM OF CAPITAL	KEY RISK	KEY OPPORTUNITIES
Financial Capital	Increased packing and power generation cost	Growing demand in local market.
Human Capital	Loss of qualified and competent staff	Bagging unparalleled and ideal workforce from the market.
Manufacturing Capital	Obsolesce of technology	Investing in the latest technologies and state of the art equipment.
Social and Relationship Capital	Bad reputation and publicity	Building relationships along the value chain and developing the Company portfolio.
Natural Capital	Water shortages	Easy access to local raw materials for yarn and fabric manufacture.



# GOVERNANCE

## CORPORATE BRIEFING

- NOTICE OF ANNUAL GENERAL MEETING
- CHAIRMAN'S REVIEW
- DIRECTORS' REPORT
- STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017
- REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017
- REPORT OF THE AUDIT COMMITTEE
- OTHER CORPORATE MATTERS

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 50th Annual General Meeting of the members of Kohinoor Textile Mills Limited (the "Company") will be held on Saturday, October 27, 2018 at 12:00 Noon at its Registered Office, 42-Lawrence Road, Lahore, to transact the following business: -

## Ordinary Business:

- 1) To receive, consider and adopt the audited accounts of the Company including consolidated financial statements for the year ended June 30, 2018 together with the Directors' and Auditors' Reports thereon.
- 2) To approve final cash dividend for the year ended June 30, 2018 at Re. 1/- per share (10%), as recommended by the Board of Directors. This is in addition to the interim cash dividend already paid to the shareholders at Rs. 1.25 per share (12.50%), thus making a total cash dividend at Rs. 2.25 per share (22.50%) for the year.
- 3) To appoint Auditors for the year ending on June 30, 2019 and fix their remuneration. The Board has recommended, as suggested by the Audit Committee, the appointment of M/s. Riaz Ahmad & Company, Chartered Accountants, the retiring auditors and being eligible offer themselves for re-appointment.

## Special Business:

- 4) To consider and, if deemed fit, pass the following resolution as a special resolution under Section 199 of the Companies Act, 2017, with or without modification, as recommended by the Directors:-

**Resolved** by way of special resolution that consent and approval of Kohinoor Textile Mills Limited (the "Company") be and is hereby accorded under Section 199 of the Companies Act, 2017 (the "Act") for investment in the form of loans / advances from time to time to Maple Leaf Cement Factory Limited, a subsidiary of the Company, upto an aggregate sum of Rs. 1,000 million (Rupees one thousand million only) for a period of one year commencing November 01, 2018 to October 31, 2019 (both days inclusive)

at the mark-up rate of one percent above the three months KIBOR or one percent above the average borrowing cost of the Company, whichever is higher. Vide special resolution passed in general meeting held on October 26, 2017 by the shareholders, the Company was authorized to extend a facility of similar nature to the extent of Rs. 1,000 million which is valid till October 31, 2018.

**Resolved further** that the Chief Executive Officer and the Company Secretary of the Company be and are hereby authorized singly to take all steps necessary, ancillary and incidental, corporate and legal formalities for the completion of transactions in relation to the loans / advances to the subsidiary company but not limited to filing of all the requisite statutory forms and all other documents with the Securities and Exchange Commission of Pakistan (SECP), executing documents all such notices, reports, letters and any other document or instrument to give effect to the above resolution."

- 5) To ratify and approve transactions conducted with the Related Parties for the year ended June 30, 2018 by passing the following special resolution with or without modification: -


**"Resolved** that the transactions conducted with the Related Parties as disclosed in the note 37 of the unconsolidated financial statements for the year ended June 30, 2018 and specified in the Statement of Material Information under Section 134(3) be and are hereby ratified, approved and confirmed."

- 6) To authorize the Board of Directors of the Company to approve transactions with the related parties for the financial year ending on June 30, 2019 by passing the following special resolution with or without modification: -

**"Resolved** that the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with the Related Parties on case to case basis for the financial year ending on June 30, 2019.

Resolved further that these transactions by the Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval.”

BY ORDER OF THE BOARD



(Muhammad Ashraf)  
Company Secretary

Lahore:  
October 06, 2018

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 20, 2018 to October 27, 2018 (both days inclusive). Physical transfers / CDS Transaction IDs received at the Company's Share Registrar, M/s. Vision Consulting Ltd, 3-C, LDA Flats, First Floor, Lawrence Road, Lahore, at the close of business on October 19, 2018 will be considered in time for the purpose of above entitlement and to determine voting rights of the shareholders for attending the meeting.
2. A member eligible to attend, speak and vote at this meeting may appoint another member as his/her proxy. CDC shareholders shall attach an attested copy of his/her Computerized National Identity Card (CNIC) / Passport with Proxy Form. Proxies, in order to be effective, must be received at the Company's Registered Office not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee should be attached with the proxy form.
3. Members holding aggregate 10% or more shareholding, residing in a city, may demand the facility of video link for participation in the annual general meeting.

In this regard, please fill the following and submit at the Registered Office of the Company situated at 42-Lawrence Road, Lahore, at least 07 days prior to the date of Annual General Meeting.

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Kohinoor Textile Mills Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Registered Folio / CDC A/c # \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

Signature of Member / Attorney"

4. The Members, who desire for receiving the annual audited financial statements and AGM Notice through e-mail, are requested to send their written consent on a Standard Request Form available on website [www.kmlg.com](http://www.kmlg.com) in order to avail this facility. The audited financial statements for the year ended June 30, 2018 are available on website of the Company. Further, the Company has sent its Annual Report 2018 through CD/DVD/USB to the shareholders at their available Registered Addresses instead of hard copy. However, hard copy of Annual Report will be provided free of cost on written request of the shareholder.
5. Shareholders are requested to notify / submit the following information & documents, in case of book entry securities in CDS to their respective CDS participants and in case of physical shares to our Share Registrar, if not earlier provided / notified: -



- a. Change in their addresses;
- b. Pursuant to requirement of Section 242 of the Companies Act, 2017, any dividend payable in cash declared by a listed company shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Accordingly, shareholders who have not yet provided / updated their International Bank Account Number (IBAN) details, are requested to furnish the information as provided on website of the Company on priority basis. In case of non-submission of IBAN of 24 digits, the Company will withhold the payment of dividends under the Companies (Distribution of Dividends) Regulations, 2017;
- c. In case of non-submission of valid & legible copy of CNIC, the Company will be unable to comply with SRO 831(I)/2012 dated July 05, 2012 of SECP and will be constrained under the Companies Act, 2017 to withhold the payment of dividend to such shareholders;
- d. Valid and legible copies of National Tax Number (NTN) or NTN Certificate(s) of corporate entities and must quote the company name and their respective Folio / CDC Account Numbers thereon while sending the copies to the Share Registrar of the Company;
- e. Filer & Non-Filer shareholders will pay tax on dividend income @15% and 20% respectively. Therefore, please ensure that their name(s) have been entered into Active Taxpayers List (ATL) provided on website www.fbr.gov.pk of the Federal Board of Revenue (FBR), despite the fact that the shareholder is a filer, before the date of approval of cash dividend at the Annual General Meeting on October 27, 2018, otherwise tax on their cash dividend will be deducted @20% instead of 15%;
- f. As per clarification of FBR, each joint holder is to be treated individually as either a 'Filer' or 'Non-Filer' and tax will be deducted on the basis of shareholding notified by each joint holder. Accordingly, such shareholder(s) may notify in writing within 07 days from entitlement date i.e. October 19, 2018 as per following format to our Share Registrar. If no notification is received to our Share Registrar, then it will be assumed that the shares are held in equal proportion by the principal shareholder and the joint holder(s): -

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

- g. Valid income tax exemption certificate issued by the concerned Commissioner of Inland Revenue is to be furnished to the Company / Share Registrar in order to avail tax exemption u/s 150 of the Income Tax Ordinance 2001 (tax on dividend) where the statutory exemption under clause 47B of Part-IV of Second Schedule is available and want to avail exemption u/s 150 of the Ordinance, otherwise tax will be deducted under the provisions of laws;
- h. Members are requested to submit their Notarized Declarations (CZ-50) as per Zakat & Ushr Ordinance, 1980 for zakat exemption, if they want to claim exemption towards non-deduction of zakat on cash dividend;
- i. Pursuant to requirement of Section 244 of the Companies Act, 2017, shareholders who could not collect their cash dividends / physical shares, are advised to contact at the Registered Office of the Company to collect / enquire about their unclaimed dividends or physical shares, if any;
- j. For any query / information, the shareholders may contact with the Company Secretary at the above Registered Office and / or Mr. Abdul Ghaffar Ghaffari of Share Registrar, Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, Ph. Nos. (042) 36283096-97.



This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 27, 2018.

## STATEMENT UNDER SECTION 134(3) OF THE ACT:

### Agenda Item No. 4 of the Notice - Investment in Maple Leaf Cement Factory Limited

Maple Leaf Cement Factory Limited, having its Registered Office at 42-Lawrence Road, Lahore (the "MLCF"), is a subsidiary of the Company and the Company being a holding company, holds 327,836,727 ordinary shares constituting 55.22% of the aggregate paid-up capital in MLCF, a public listed company engaged in the business of manufacturing and sale of cement and the factory is located at Iskanderabad, District Mianwali.

The Board of Directors of the Company in their meeting held on September 18, 2018 has approved Rs. 1,000 million as loans / advances, being a reciprocal facility, to MLCF on the basis of satisfactory profit trend of MLCF subject to approval of the members. The Company shall extend the facility of loans / advances from time to time for working capital requirements to MLCF in accordance with an agreement in writing including all relevant terms and conditions as prescribed in the Regulations.

Directors of the Company have also provided their duly signed undertaking / due diligence report with recommendations that they have carried out necessary due diligence for the proposed investment in MLCF and it has been kept at the Registered Office of the Company for inspection of the members along with audited and the latest interim financial statements of MLCF as required under the Regulations.





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THE INFORMATION UNDER CLAUSES 3(1)(a), 3(1)(c) & 4(1) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017.

3(1)(a) Regarding associated company or associated undertaking:-

Ref. No.	Requirement	Information	
(i)	Name of associated company or associated undertaking;	Maple Leaf Cement Factory Limited (the "MLCF")	
(ii)	Basis of relationship;	MLCF is a subsidiary of Kohinoor Textile Mills Limited (the "Company") and the Company holds 55.22% of the aggregate paid-up capital in MLCF.	
(iii)	Earnings per share for the last three years;	<b>(Rupees)</b>	
		<b>Year</b> <b>Basic</b> <b>Diluted</b>	
		30.06.2016                      9.00                      9.00	
		30.06.2017                      8.81                      8.81	
30.06.2018                      6.29                      6.29			
(iv)	Break-up value per share, based on latest audited financial statements;	As on June 30, 2018 With revaluation surplus Rs. 50.38 Without revaluation surplus Rs. 43.20	
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements;	Based on the audited financial statements for the financial year ended 30 June 2018, the financial position of MLCF is as under:-	
		<b>Particulars</b> <b>Amount</b>	
		<b>Rupees (000)</b>	
		Paid up capital	5,937,007
		Capital reserves	5,640,300
		Accumulated profits	14,069,289
		Surplus on revaluation of fixed assets-net of tax	4,264,543
		Current liabilities	11,953,924
		Current assets	12,731,681
		Sales - Net	25,699,113
		Gross Profit	7,515,924
		Operating Profit	5,220,918
		Net Profit	3,632,201
Earnings per share (Rs.)	6.29		





## General Disclosures:-

Ref. No.	Requirement	Information	
(i)	Maximum amount of investment to be made;	Rs. 1,000 million (Rupees one thousand million only).	
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;	<p><b>Purpose:</b> To earn income on the loans and/or advances to be provided to MLCF from time to time for working capital requirements of MLCF.</p> <p><b>Benefits:</b> The Company will receive mark up at the rate of one percent above the three months KIBOR or one percent above the average borrowing cost of the Company, whichever is higher. This shall benefit the Company's cash flow by earning profit on idle funds.</p> <p><b>Period:</b> For a period of one year from November 01, 2018 to October 31, 2019.</p>	
(iii)	Source of funds to be utilized for investment where the investment is intended to be made using borrowed funds, - (I) Justification for investment through borrowings; (II) Detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) Cost benefit analysis;	<p>Loan and/or advance will be given out of own funds of the Company.</p> <p>N/A</p>	
(iv)	Salient features of agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;	<b>Nature</b>	<b>Loan / advance</b>
		<b>Purpose</b>	To earn mark-up / profit on loan / advance being provided to MLCF which will augment the Company's cash flow
		<b>Period</b>	One Year
		<b>Rate of Mark-up</b>	One percent above the three months KIBOR or one percent above the average borrowing cost of the Company, whichever is higher.
		<b>Repayment</b>	Principal plus mark-up / profit upto October 31, 2019
		<b>Penalty charges</b>	@ 3-months KIBOR plus one percent in addition to the outstanding amount(s).

Ref. No.	Requirement	Information
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Investing Company i.e. the Company is a holding company of MLCF and Seven Directors are common in both the companies may be deemed to be interested to the extent of their shareholding.  None of the Directors or their relatives or associates are interested in any of the above resolution in any way except as members of the Company.
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	A similar nature of loan/advance facility of Rs.1,000 million from time to time for working capital requirements has been granted by the valued shareholders of the Company vide special resolution passed in the Annual General Meeting held on October 26, 2017 which is valid till October 31, 2018. There is no impairment and/or write off against the above facility.
(vii)	Any other important details necessary for the members to understand the transaction;	N/A

### 3(1)(c) Investments in the form of loans

Ref. No.	Requirement	Information
(i)	Category-wise amount of investment;	Short term loan for working capital requirements for a period of one year as dilated in preamble.
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah Compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period;	Average borrowing cost of the Company is 4.94% for the year ended June 30, 2018.
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company;	Mark-up will be charged from MLCF at one percent above the three months KIBOR or one percent above the average borrowing cost of the Company, whichever is higher.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment;	No collateral is considered necessary since MLCF is a subsidiary company of the Company.



Ref. No.	Requirement	Information
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place the time when the conversion may be exercisable; and	N/A
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	The loan / advance would be for a period of one year from November 01, 2018 to October 31, 2019 (both days inclusive). MLCF will pay interest / mark-up on quarterly basis whereas repayment of principal amount shall be on or before October 31, 2019.

Six Directors including Sponsor Directors of associated company i.e. MLCF are also the members of the Company and are interested to the extent of their shareholding as under: -

Name	%age of shareholding in MLCF	%age of shareholding in the Company
Mr. Tariq Sayeed Saigol & his spouse	0.0194	14.3755
Mr. Taufique Sayeed Saigol	0.0015	14.5090
Mr. Sayeed Tariq Saigol	0.0010	0.1286
Mr. Waleed Tariq Saigol	0.0010	0.0112
Mr. Danial Taufique Saigol	0.0005	0.0010
Mr. Shafiq Ahmed Khan	0.0014	0.0010

#### AGENDA ITEM NO. 5 OF THE NOTICE - RATIFICATION AND APPROVAL OF THE RELATED PARTY TRANSACTIONS:

Transactions conducted with the related parties have to be approved by the Board of Directors duly recommended by the Audit Committee on quarterly basis pursuant to clause 15 of the Listed Companies (Code of Corporate Governance) Regulations,

2017. However, during the year since majority of the Company's Directors were interested due to their common directorships and therefore these transactions are being placed for the approval by shareholders in the Annual General Meeting.

All transactions with related parties to be ratified have been disclosed in the note 37 to the unconsolidated financial statements for the year ended June 30, 2018. Party-wise details of such related party transactions are given below: -

Sr. No.	Name of Related Party	Relationship	Description of Transactions	Rupees in thousands
1)	Maple Leaf Cement Factory Limited	Subsidiary Company	Purchase of goods and services	50,361
			Purchase of property, plant and equipment	1,785
			Dividend Income	1,001,724
			Investment made	2,367,710
			Loan and advances paid	290,000
			Interest income on loan and advances	4,592
2)	Maple Leaf Capital Limited	Subsidiary Company	Purchase of property, plant and equipment	665
			Sale of property, plant and equipment	1,359
			Loan obtained	1,250,000
			Loan repaid	818,470
			Mark-up on loan	37,604
3)	Provident Fund	Post-employment benefit plan	Contribution	50,494

The Company carries out transactions as per the approved policy with respect to 'transactions with related parties' in the normal course of business. All transactions entered into with related parties require the approval of the Audit Committee of the Company, which is chaired by an Independent Director of the Company. Upon the recommendation of the Audit Committee, such transactions were placed before the Board of Directors for approval.

The nature of relationship with these related parties has also been indicated in the unconsolidated financial statements for the year ended June 30, 2018. The Directors are interested in the resolution only to the extent of their shareholding and having their common directorships in such related parties.

**AGENDA ITEM NO. 6 OF THE NOTICE - AUTHORIZATION FOR THE BOARD OF DIRECTORS TO APPROVE THE RELATED PARTY TRANSACTIONS DURING THE YEAR ENDING ON JUNE 30, 2019.**

The Company shall be conducting transactions with its related parties during the year ending on June

30, 2019 as per the approved policy with respect to 'transactions with related parties' in the normal course of business. The majority of Directors are interested due to their common directorship in the subsidiary/associated companies. In order to promote transparent business practices, the shareholders are required to authorize the Board of Directors to approve transactions with the related parties from time-to-time and on case to case basis for the year ending on June 30, 2019, which transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.

The Directors are interested in the resolution only to the extent of their shareholding and/or only their common directorships in such related parties.







# CHAIRMAN'S REVIEW

I am pleased to present the annual report and audited financial statements of the Company for the year ended 30 June, 2018 to our valued shareholders. Significant aspects of performance of your Company have been shared with you during the course of the financial year 2017-18. The Management of the Company is encouraged by the future prospects and expects to continue to demonstrate satisfactory performance through its efforts and strategic directions provided by the Board.

Pursuant to requirement of the Listed Companies (Code of Corporate Governance) Regulations, 2017, mechanism has been put in place for annual evaluation of the performance of the Board of Directors (the "Board") of Kohinoor Textile Mills Limited (the "Company"). The main objective of this exercise is to internally evaluate the performance of the Board and its Committees in order to facilitate the Management and to play an effective role as a coordinated team for the success of the Company. Strategic goals for the Management have been earmarked for the coming year and the Board's effectiveness is measured in the context of achievement of such objectives. Accordingly, the Board has completed its annual self-evaluation for the year 2018 and I am pleased to report that the overall performance benchmarked on the basis of criteria set for the year 2018, remained satisfactory. Such assessment was based on standards set by the Board in line with best corporate governance practices.

## COMPOSITION OF THE BOARD:

The composition of the Board depicts reasonable balance of executive and non-executive Directors including independent Directors and as a Group, possess the requisite skills, core competencies and industry knowledge to lead the Company. All Board members have exercised their individual business judgment and are involved in important Board decisions.

## VISION & MISSION STATEMENTS:

The Board members are aware of the high level of ethical and professional standards laid down in our Vision & Mission Statements which are adopted by the Company and fully support the same in attaining the objectives dilated therein.

## STRATEGIC DECISION MAKING:

Overall corporate strategy and objectives have been set in line with the strategic vision of the Board from

which the annual business plan is derived, as well as, projected plans for the next five years have been set by the Management, covering all functional and operational areas by utilization of available resources, modernization and expansion and production facilities to ensure continued growth in the bottom line which should hopefully result in high growth.

## DILIGENCE:

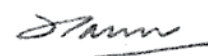
The Board reviews the quality and appropriateness of financial statements of the Company, reporting and transparency of disclosures, Company's accounting policies, corporate objective plans, budgets and other reports. The meetings of the Board are held at required frequencies and agenda alongwith working papers are circulated in sufficient time prior to Board and Committee meetings.

## ADEQUATE GOVERNANCE:

The Board has framed the Code of Conduct which defines requisite behavior and has been disseminated throughout the Company, alongwith supporting policies and procedures. Adequate controls and robust systems are in place to ensure effective control environment so compliance of best policies of Corporate Governance are achieved. The Board sets high standards of honesty and integrity which we consider are vital for success of the business.

## PRESENTATIONS:

During the course of discussion and approvals of financial statements, comprehensive presentations are placed before the Board based on incisive, critical and strategic analysis of all functional areas relating to core business of the Company. Benchmarking compared with the industry's peer group are carried out. This practice provides ample opportunity for objective analysis of the Company's goals and evaluation of its own financial performance with the peer group. The Board provides appropriate directions and oversight emanated on the basis of thorough and detailed discussions.



Lahore  
18 September 2018

(Tariq Sayeed Saigol)  
Chairman



## DIRECTORS' REPORT to the Shareholders

In compliance with Section 227 of the Companies Act, 2017, the Directors are pleased to present 50th Annual Report along with audited financial statements and Auditors' Report thereon for the year ended 30 June 2018.



Kohinoor Textile Mills Limited (“the Company”) is a public limited company incorporated in Pakistan and listed on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing of yarn and cloth, processing and stitching the cloth and trade of textile products.

## REVIEW OF OPERATIONS

The results of the final quarter of the year under review improved over the previous quarter due in large part to improvement in yarn prices as a result of devaluation of the Rupee, leading to increased costs of raw materials. As the Company was well-covered, it was able to take advantage of increased selling rates.

Over the course of the year under review the Company continued its policy of modernization and replacement of spinning equipment, which will further strengthen its position in the fine-counts market. This policy will continue in the coming financial year.

The Company intends to cover its raw material adequately for the coming year and has already begun raw material procurement. We remain hopeful we shall be able to cover our needs at workable prices.

In our continuing quest for value-addition, the Company has procured advanced digital printing equipment and increased its investment in new equipment to provide customers with a greater assortment of embellished products, which will also continue into the next financial year as the Company seeks to further differentiate itself from local competition.

It is envisaged that the new Government will take an active role in promoting exports and take necessary steps to ensure a competitive environment on a global scale. This will be a challenging assignment but one that is necessary for the financial viability of our economy.

We once again request the government to immediately disburse sales tax refunds, approved export subsidies and other tax refunds so cash flow issues are minimized. This should immediately result in increased exports which is the need of the hour.

The Company’s initial 1-MW solar installation has been a great success and we are currently on track to expand our renewable energy footprint in working towards becoming a truly “green” manufacturer. Experimentation to completely reuse treated effluent in an effort to dramatically reduce freshwater usage is afoot and will hopefully be a success in the coming year.

Dividends from the Company’s subsidiaries are expected to remain healthy in the coming year.

## FINANCIAL REVIEW

During the year under review, Company’s sales increased to Rs.17,834 million (2017: Rs.17,405 million), while cost of sales increased to Rs.15,356 million (2017: Rs.14,823 million). This resulted in gross profit of Rs.2,478 million (2017: Rs.2,581million).

Operating profit for the period under review stood at Rs.2,516 million (2017: Rs.3,170 million). The Company made an after tax profit of Rs.1,664 million (2017: Rs.2,352 million). Earnings per share for the year ended 30 June 2018 were at Rs.5.64 against Rs.8.25 for the last year.

## GROUP FINANCIAL REVIEW

During the year under review, Company’s consolidated revenue increased to Rs.43,467 million (2017: Rs.41,248 million), while cost of sales increased to Rs. 32,167 million (2017: Rs.28,992 million). This resulted in gross profit of Rs.11,300 million (2017: Rs.12,255 million). Earnings per share for the year ended 30 June 2018 were at Rs.11.95 against Rs.16.38 for the last year.

## DIVIDEND & APPROPRIATIONS

Keeping in view the results, the Board of Directors has announced final cash dividend for the year ended June 30, 2018 at Re.1/- per share (10%). This is in addition to interim cash dividend already paid at Rs.1.25 per share (12.50%), thus making a total cash dividend at Rs. 2.25 per share (22.50%) for the year.

The Directors recommend as under:

Description	Rs "000"
Profit before taxation	2,154,091
Provision for taxation	(489,769)
Profit after taxation	1,664,322
Final dividend declared for the year ended 30 June 2017	(423,533)
Interim dividend declared during the year ended 30 June 2018	(374,121)
Accumulated profit brought forward	5,681,382
<b>Accumulated profit carried forward</b>	<b>6,548,050</b>

## RIGHT ISSUE

In order to partially finance the subscription of 12.50% right shares of Maple Leaf Cement Factory Limited, a subsidiary company, the Board of Directors in its meeting held on 17th August, 2017 decided to offer right shares. Accordingly, 6% right shares were offered at a price of Rs. 60/- per share (inclusive of premium of Rs. 50/- per share) and a sum of Rs.1,016.478 million was raised through right issue. The Directors and Sponsors subscribed their portion of rights. 96.6% of public portion was subscribed by shareholders, whereas the remaining 2.4% of the total right issue was taken up by the underwriters.

## FUTURE PROSPECTS

We expect future results of the Spinning and Home Textiles divisions to be at least as profitable as those achieved during the period under review and hopefully improve due to addition of new product lines. In addition, we feel positive that the new government is determined to increase exports and will take measures to achieve this goal. Changes to the exchange regime have had a salutary impact already.

## SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report.

## DEFAULT OF REPAYMENTS, DEBT/LOAN ETC.

The Company is current on repayment of its debt obligations and no default has been occurred till cut of date of these financial statements.

## PRINCIPAL RISKS AND UNCERTAINTIES

- Declining export sales due to increased competition at global as well as regional levels.
- Rupee devaluation causing escalation in prices of imported raw cotton, packaging and dyes, which truncating profit margins.
- Increased energy cost due to rising fuel and power prices.
- Overall inflationary increase in operating expenses.
- Increased finance cost due to enhancement of discount rate by central bank which resulted increase in KIBOR.

## CHANGE IN NATURE OF BUSINESS

No changes have been occurred during the financial year concerning the nature of the business of the Company or of its subsidiaries, or any other company in which the Company has interest.

## CORPORATE SOCIAL RESPONSIBILITY

The Company acknowledges its responsibility towards society and performs its duty by providing financial assistance to projects for society development by various charitable institutions on consistent basis. The Company has been recognized by the Pakistan Centre for Philanthropy as a leader in social and charitable contributions and strives to be a constructive member of the communities in which it has a presence.



The Company has contributed in medical social sciences project and in this regard, during the current year, the Company's Board of Directors and the Board of Maple Leaf Cement Factory Limited have jointly decided to donate Rs.132.495 Million to Gulab Devi Educational Complex, Lahore towards construction of Al-Aleem Medical College in Gulab Devi Chest Hospital (GDCH), Lahore. A committee of the members of Board is formed for better monitoring and execution of this task.

The Company has also contributed in the past for medical social service projects and in this regard the Company had donated a state of the art Cardiac facility to the Gulab Devi Chest Hospital (GDCH) in Lahore by building Sayeed Saigol Cardiac Complex at GDCH.

Kohinoor Maple Leaf Group has received "7th Corporate Social Responsibility National Excellence Award" on account of its performance of various social obligations.

#### IMPACT OF COMPANY'S BUSINESS ON THE ENVIRONMENT

Management understands the harmful effects of contaminated water on the surrounding areas after emission from the mill's premises. To prevent the potentially harmful effects of any chemicals used in processing on the surrounding water table, a waste water treatment plant has been constructed minimizing or negating any contamination in water discharged from the factory. Further, the Company continues to investigate and implement pilot projects into alternative, sustainable energy sources.

#### ADEQUACY OF INTERNAL CONTROL

The Board of Directors has established an efficient system of internal financial controls, for ensuring effective and efficient conduct of operations, safeguarding of Company assets, compliance with applicable laws and regulations and reliable financial reporting. The independent Internal Audit function of the Company regularly appraises and monitors the implementation of financial controls, whereas





the Audit Committee reviews the effectiveness of the internal control framework and financial statements on quarterly basis.

#### MANAGEMENT'S RESPONSIBILITY TOWARD PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

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

#### AUDITORS' REPORT

The Auditors have expressed un-modified opinion on the separate and consolidated financial statements of the Company.

#### AUDITORS

The present auditors of the Company, M/s. Riaz Ahmad & Company, Chartered Accountants, audited the financial statements of the Company and have issued report to the members. The auditors will retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board of Directors has endorsed, as suggested by the Audit Committee, the appointment of M/s. Riaz Ahmad & Company, Chartered Accountants as auditors for the ensuing year subject to approval of the members in the forthcoming Annual General Meeting.

#### COMPOSITION OF BOARD OF DIRECTORS

Total Number of Directors:

a) Male	8
b) Female	-

#### Composition:

Independent Director	1
Other Non-Executive Directors	4
Executive Directors	3

## NAME OF DIRECTORS AND BOARD MEETINGS

During the year under review, six meetings of the Board of Directors were held in Pakistan and no meeting was held outside Pakistan. Attendance by each Director was as follows: -

Category	Names	Meetings Attended
Independent Director	Mr. Shafiq Ahmed Khan	5
Other Non-Executive Directors	Mr. Tariq Sayeed Saigol	6
	Mr. Sayeed Tariq Saigol	6
	Mr. Waleed Tariq Saigol	2
	Mr. Arif Ijaz	6
Executive Directors	Mr. Taufique Sayeed Saigol	6
	Mr. Danial Taufique Saigol	6
	Syed Mohsin Raza Naqvi	5

Leave of absence was granted to the Directors who could not attend the Board meetings.

Following Executive Directors are also Non-Executive Directors in other companies: -

Category	Names	No. of directorships in other companies
Executive Directors	Mr. Taufique Sayeed Saigol	3
	Mr. Danial Taufique Saigol	3
	Syed Mohsin Raza Naqvi	2

Pursuant to requirement of the Listed Companies (Code of Corporate Governance) Regulations, 2017, the following Committees were re-constituted: -

### AUDIT COMMITTEE

A total number of five meetings of the Audit Committee were held during the year. The attendance of each member was as under: -

Name	Designation	Meetings Attended
Mr. Shafiq Ahmed Khan	Chairman / Independent Director	5
Mr. Arif Ijaz	Member / Non-Executive Director	5
Mr. Sayeed Tariq Saigol	Member / Non-Executive Director	5
Mr. Waleed Tariq Saigol	Member / Non-Executive Director	-

Leave of absence was granted to the Member(s) who could not attend the meetings. However, Mr. Waleed Tariq Saigol joined the Audit Committee effective May 01, 2018.

Members of Audit Committee were present in the last AGM of the Company held on October 26, 2017.



## HUMAN RESOURCE AND REMUNERATION COMMITTEE

NAME	DESIGNATION
Mr. Shafiq Ahmed Khan	Chairman / Independent Director
Mr. Arif Ijaz	Member / Non-Executive Director
Mr. Sayeed Tariq Saigol	Member / Non-Executive Director
Mr. Danial Taufique Saigol	Member / Executive Director

NUMBER OF MEETINGS HELD – 01 (All Members attended the meeting held on November 17, 2017). However, Mr. Shafiq Ahmed Khan joined HR & R Committee effective January 01, 2018 as Chairman in place of Mr. Arif Ijaz.

### REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTORS

The Board of Directors has approved a 'Directors' Remuneration Policy', the salient features of which are:-

- No Director shall determine his/her own remuneration.
- Meeting fee of a Director other than regular paid Chief Executive, Sponsors and / or family Directors and full time working Director(s), shall be net of tax amounting to Rs.10,000/- (Rupees ten thousand only) per meeting or as time to time determined by the Board for attending the Board and its Committee meetings.
- Any tax obligation against such payment applicable for the time being and/or amended hereinafter shall be borne by the Company.
- The Directors shall be entitled to be paid all reasonable expenses, including travelling, hotel charges and other expenses incurred by them for attending meetings and for other business conducted for and on behalf of the Company.

### PATTERN OF SHAREHOLDING

Pattern of shareholding of the Company in accordance with the Companies Act, 2017 as at June 30, 2018 is annexed.

### ACKNOWLEDGEMENT

The Directors are grateful to the Company's members, financial institutions and customers for their co-operation and support. They also appreciate hard work and dedication of all the employees working at the various divisions.

For and on behalf of the Board

(Syed Mohsin Raza Naqvi)  
Director

(Taufique Sayeed Saigol)  
Chief Executive

Lahore  
18 September 2018





# STATEMENT OF COMPLIANCE

## With the Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of Company: Kohinoor Textile Mills Limited  
 Year Ended: June 30, 2018

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

- The total number of Directors is Eight as per the following: -

Male: 8  
 Female: -

The requirement of minimum number of female and independent Directors on the Board would be complied by within the time allowed by these Regulations.

- The Composition of Board is as follows: -

Category	Names
Independent Director	Mr. Shafiq Ahmed Khan
Other Non-Executive Directors	Mr. Tariq Sayeed Saigol Mr. Sayeed Tariq Saigol Mr. Waleed Tariq Saigol Mr. Arif Ijaz
Executive Directors	Mr. Taufique Sayeed Saigol Mr. Danial Taufique Saigol Syed Mohsin Raza Naqvi

- The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company.
- The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 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.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of the Act and these Regulations.
- The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.



9. The Board had arranged Orientation Courses for its Directors during the preceding years from recognized institutions of Pakistan that meet the criteria specified by the SECP whereas some Directors having the requisite experience on the Board(s) of Listed Companies are exempt from the Directors' Training Program for which SECP's approval would be obtained within the time allowed in these Regulations. Further, the Directors have also provided declarations that they are aware of their duties, powers and responsibilities under the applicable law.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

#### AUDIT COMMITTEE

NAME	DESIGNATION
Mr. Shafiq Ahmed Khan	Chairman / Independent Director
Mr. Arif Ijaz	Member / Non-Executive Director
Mr. Sayeed Tariq Saigol	Member / Non-Executive Director
Mr. Waleed Tariq Saigol	Member / Non-Executive Director

#### HUMAN RESOURCE & REMUNERATION COMMITTEE

NAME	DESIGNATION
Mr. Shafiq Ahmed Khan	Chairman / Independent Director
Mr. Arif Ijaz	Member / Non-Executive Director
Mr. Sayeed Tariq Saigol	Member / Non-Executive Director
Mr. Danial Taufique Saigol	Member / Executive Director

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committees were as per following:

MEETINGS	FREQUENCY
Audit Committee	Five meetings were held during the financial year.
Human Resource and Remuneration Committee	One meeting was held during the financial year.

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.



(TARIQ SAYEED SAIGOL)  
CHAIRMAN

Date: 18 September 2018



# REVIEW REPORT ON THE STATEMENT of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

To the members of Kohinoor Textile Mills Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

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

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

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

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

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



RIAZ AHMAD & COMPANY  
Chartered Accountants

Lahore

Date: 18 September 2018

# REPORT OF THE AUDIT COMMITTEE



The Audit Committee comprises of one independent non-executive Director and three non-executive Directors. The Chief Financial Officer, the Chief Internal Auditor and the external auditors attend the Audit Committee meetings as provided in the Code of Corporate Governance. Five meetings of the Audit Committee were held during the year 2017-2018. Based on reviews and discussions in these meetings, the Audit Committee reports that:-

- 1) The Audit Committee reviewed and approved the quarterly, half yearly and annual financial statements of the Company including consolidated financial statements and recommended them for approval of the Board of Directors.
- 2) Appropriate accounting policies have been consistently applied. All core and other applicable International Accounting Standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern basis, which present fairly the state of affairs, results of operations, cash flows and changes in equity of the Company.
- 3) Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017, and the external reporting is consistent with management processes and adequate for shareholder needs.
- 4) The Audit Committee reviewed and approved all related party transactions.
- 5) No cases of material complaints regarding accounting, internal accounting controls or audit matters, or Whistle Blowing were received by the Committee.
- 6) The Company's system of internal control is sound in design and is continually evaluated for effectiveness and adequacy.
- 7) The Board has established internal audit function being an independent appraisal function for the review of the internal control system in all areas of the business activity and provides management with objective evaluations, appraisals and recommendations on the adequacy, effectiveness and compliance with each system reviewed.
- 8) Company's internal audit function is headed by a Chartered Accountant with a team of professionals who are suitably qualified and experienced and well aware of the Company's policies and procedures.



- 9) Internal audit function operates under the charter approved by the Audit Committee and head of the internal audit function has direct access to the Audit Committee.
- 10) Company's internal audit function prepares annual plan for the financial year and a strategic audit plan for following two years during which all major systems and areas of activity will be audited. Annual and strategic audit plan is approved by the Audit Committee.
- 11) Internal audit reports include findings, conclusions, recommendations and action plans agreed with management. These are reported promptly to the appropriate level of management. Follow up in implementation is ensured.
- 12) The Audit Committee, on the basis of the internal audit reports, reviewed the adequacy of controls and compliance shortcomings in areas audited and discussed corrective actions in the light of management's responses. This has ensured the continual evaluation of controls and improved compliance.
- 13) The Audit Committee has reviewed the Annual Report for the last financial year and found it fair, balance and understandable to users of financial statements. Annual Report provides the necessary information to all the stakeholders about the Company's financial performance, financial position and future prospects.
- 14) Performance of the Audit Committee is annually reviewed by the Board of Directors. However, the Committee is devising a checklist for self-evaluation of its performance.
- 15) The Audit Committee ensured that statutory and regulatory obligations and requirements of best practices of governance have been met.
- 16) Present Auditors, M/s. Riaz Ahmad & Company, Chartered Accountants, were appointed as on December 30, 2004. They are professional services company having satisfactory QCR rating. They carry out objective examination and evaluation of the financial statements to make sure that the records are fair and accurate representation of the transactions. They confirm every year that the firm and all Partners in the firm are compliant with the IFAC guidelines on code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 17) The external auditors, Riaz Ahmad & Company, Chartered Accountants, were allowed direct access to the Audit Committee and necessary coordination with internal auditors was also ensured. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.
- 18) The Audit Committee reviewed the Management Letter issued by the external auditors and the management response thereto. Observations were discussed with the auditors and required actions recorded.
- 19) Appointment of external auditors and fixing of their audit fee was reviewed and the Audit Committee following this review recommended to the Board of Directors reappointment of Riaz Ahmad & Company, Chartered Accountants, as external auditors for the year 2018-2019.

By order of the Audit Committee



(Shafiq Ahmed Khan)  
Chairman, Audit Committee  
18 September 2018

# BRIEF PROFILE OF DIRECTORS

**MR. TARIQ SAYEED SAIGOL**  
(CHAIRMAN / DIRECTOR)

## OTHER ENGAGEMENTS

**CHAIRMAN / DIRECTOR**  
Maple Leaf Cement Factory Limited  
Maple Leaf Power Limited

Mr. Tariq Sayeed Saigol is the Chairman of Kohinoor Maple Leaf Group (KMLG). He is a member of the reputed Saigol Family who pioneered textile manufacturing after partition and later ventured into the financial sector, chemicals, synthetic fibres, sugar, edible oil refining, civil engineering, construction, cement and energy.

Mr. Saigol was schooled at Aitchison College, Lahore and graduated from Government College, University, Lahore following which, he studied Law at University Law College, Lahore. He started his career in 1968 at Kohinoor's Chemical Complex at Kala Shah Kaku. Upon trifurcation of the Group in 1976, he became Chief Executive of Kohinoor Textile Mills Limited, Rawalpindi. Since 1984, he has been Chairman of Kohinoor Maple Leaf Group which has interests in textiles, energy and cement manufacturing.

He remained Chairman All Pakistan Textile Mills Association from 1992-94, President of Lahore Chamber of Commerce and Industry for 1995-97 and Chairman, All Pakistan Cement Manufacturers Association from 2003-06. Mr. Saigol was a member of the Federal Export Promotion Board and Central Board of State Bank of Pakistan. He has also served on several Government Commissions and Committees on a number of subjects, including Export Promotion, reorganization of WAPDA and EPB, Right Sizing of State owned Corporations and Resource Mobilization. He is the author of Textile Vision 2005 which was adopted by the Government in 2000 and its critique prepared in 2006. He joined the Central Board of State Bank of Pakistan for a second term in 2007 and was a member of the Prime Minister's Economic Advisory Council established in 2008.

He takes keen interest in the development of education in Pakistan. He has been a member of the Board of Governors of Lahore University of Management Sciences, Aitchison College, Founding Chairman of the Board of Governors of Chandbagh School, Founder Trustee of Textile University of Pakistan and member of the Syndicate of University of Health Sciences. He is conferred with Sitara-e-Isaar by President of Pakistan in 2006.

He is a keen golfer and has represented Pakistan at Golf in Sri Lanka and Pakistan in 1967.





**MR. TAUFIQUE SAYEED SAIGOL**  
(CHIEF EXECUTIVE / DIRECTOR)

**OTHER ENGAGEMENTS**

**DIRECTOR**

Maple Leaf Cement Factory Limited  
Maple Leaf Power Limited

**CHAIRMAN / DIRECTOR**

Maple Leaf Capital Limited

Mr. Taufique Sayeed Saigol is the Chief Executive of Kohinoor Textile Mills Limited and Director in all KMLG companies. He is a leading and experienced industrialist of Pakistan. He graduated as an Industrial Engineer from Cornell University, USA in 1974. He widely travelled and his special forte is in the export business. He is a business man of impeccable credibility and vision and has substantial experience of working in different environments.

**MR. SAYEED TARIQ SAIGOL**  
(DIRECTOR)

**OTHER ENGAGEMENTS**

**CHIEF EXECUTIVE / DIRECTOR**

Maple Leaf Cement Factory Limited  
Maple Leaf Power Limited

**DIRECTOR**

Maple Leaf Capital Limited

Mr. Sayeed Tariq Saigol is the Chief Executive of Maple Leaf Cement and Maple Leaf Power. He graduated from McGill University with a degree in management. Mr. Sayeed Saigol also has several years of work experience in the textile industry. Prior to joining Maple Leaf Cement, he was involved in setting up and managing an apparel dyeing company. He is a member of the Board of Governors of the Lahore University of Management Sciences.

**MR. WALEED TARIQ SAIGOL**  
(DIRECTOR)

**OTHER ENGAGEMENTS**

**DIRECTOR**

Maple Leaf Cement Factory Limited  
Maple Leaf Power Limited

**CHIEF EXECUTIVE / DIRECTOR**

Maple Leaf Capital Limited

Mr. Waleed Tariq Saigol is the Director in all KMLG companies. He holds a bachelor's degree in Political Science from the London School of Economics & Political Science. Apart from his responsibilities in textiles, he is also involved in identifying and developing new areas of business for KMLG. He is a keen golfer and has won several tournaments in Pakistan.

**MR. DANIAL TAUFIQUE SAIGOL**  
(DIRECTOR)

**OTHER ENGAGEMENTS**

**DIRECTOR**

Maple Leaf Cement Factory Limited  
Maple Leaf Power Limited  
Maple Leaf Capital Limited

Mr. Danial Taufique Saigol is the younger son of Mr. Taufique Sayeed Saigol, CEO of KTM. Danial began his career with KMLG in January 2012 as Executive Director. He holds a bachelor's degree in Finance from McGill University, Montreal, Canada. He is currently posted at Kohinoor Textile Mills Limited, Rawalpindi.

**MR. ARIF IJAZ**  
(DIRECTOR)

**OTHER ENGAGEMENTS**

**DIRECTOR**  
Maple Leaf Power Limited  
Maple Leaf Capital Limited

Mr. Arif Ijaz has done his bachelor in Electrical Engineering from University of Engineering and Technology (UET) Lahore, Pakistan and MBA from Iran Centre for Management Studies. He has over 26 years of experience in the development and growth of business strategy. He has also served as the CEO of Adamjee Insurance, CEO of KSB Pumps, Director of Pakistan Steel Mills, National Refinery, Lahore Stock Exchange, HUBCO, and Lahore University of Management Sciences (LUMS).

He is serving as MBA Faculty member at UET Lahore and former visiting faculty member of LUMS.

**MR. SHAFIQ AHMED KHAN**  
(DIRECTOR)

**OTHER ENGAGEMENTS**

**DIRECTOR**  
Maple Leaf Cement Factory  
Limited

Mr. Shafiq Ahmed Khan got his bachelor degree from Punjab University and joined Habib Bank Limited at entry level in 1968 and spent over a period of 24 years in order to become Executive Vice President while performing in different areas of services. Since 1992, he spent a period of five years in Fidelity Investment Bank Limited, Lahore, as first President and CEO of a major investment bank in the country and guided with sound business and risk management.

Since 1996 to 2005, he has been associated with Pakistan's largest private sector commercial bank as Senior Executive Vice President / Group Head and taken responsibilities for devising and implementing business strategies for MCB Bank Limited. Over the course of 36 years in a career, he used up in domestic and international market with all necessary skills for developing & implementing successful strategies for institutions' businesses across geographical segments particularly in banking relationships and enjoy sound relationships with regulatory authorities in various countries. Currently, being an Independent Director, he is heading Board's Audit Committee as well as Human Resource and Remuneration Committee.

**SYED MOHSIN RAZA NAQVI**  
(DIRECTOR/GROUP DIRECTOR FINANCE/  
CHIEF FINANCIAL OFFICER)

**OTHER ENGAGEMENTS**

**DIRECTOR / CHIEF FINANCIAL OFFICER**  
Maple Leaf Cement Factory Limited

**DIRECTOR**  
Maple Leaf Power Limited  
Maple Leaf Capital Limited

Mr. Mohsin Naqvi, Fellow member of Institute of Chartered Accountants of Pakistan (FCA), with over 29 years of Financial Management experience. Areas of expertise include: financial projections, forecasting short-term and long-term cash flows, business strategy development, acquisitions and evaluations of business units, establishing company's reporting structure, implementing budgetary control procedures, implementing financial software, organizing finance and treasury functions of the Company.

He is former board member of Kohinoor Mills Limited, Al-Wazan Group, Kuwait and Trust Investment Bank Limited. He has experience of working in several countries which include Saudi Arabia, Kuwait, Philippines, Morocco, Jordan and Pakistan.





## QUALIFICATION OF CFO AND HEAD OF INTERNAL AUDIT

The Chief Financial Officer and the Head of Internal Audit possess the requisite qualifications and experience as prescribed in the Listed Companies (Code of Corporate Governance) Regulations, 2017.

## ROLE OF CHAIRMAN AND THE CEO

The Company's Chairman reports to the Board and the CEO reports to the Chairman (acting on behalf of the Board) and to the Board directly. Their respective roles are being described hereunder:-

ROLE OF THE CHAIRMAN	ROLE OF THE CEO
Principal responsibility is the effective running of the Board.	Principal responsibility is running the Company's business.
Responsible for ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Company's strategy and overall commercial objectives.	Responsible for proposing and developing the Company's strategy and overall commercial objectives, which he does in close consultation with the Chairman and the Board.
Guardian of the Board's decision-making process.	Responsible with the executive team for implementing the decisions of the Board and its Committees.
Responsible for promoting the highest standards of integrity, probity and corporate governance throughout the Company and particularly at Board level.	Responsible for promoting, and conducting the affairs of the Company with the highest standards of integrity, probity and corporate governance.

## FORMAL ORIENTATION TRAINING PROGRAM FOR DIRECTORS / DIRECTORS' TRAINING PROGRAM

The Board had arranged Orientation Courses for its Directors namely, Mr. Danial Taufique Saigol and Syed Mohsin Raza Naqvi, during the preceding years from recognized institutions of Pakistan approved by the SECP whereas some Directors having the requisite experience on the Board(s) of Listed Companies are exempt from the Directors' Training Program.

Further, the Directors have also provided declarations that they are aware of their duties, powers and responsibilities under the Companies Act, 2017 and the Listing Regulations of Pakistan Stock Exchange.

### MATTERS DECIDED BY THE BOARD OF DIRECTORS

The Board of Directors approves overall corporate strategy which is in line with Company's Vision. All the Strategic Decisions of the Company are taken

by the Board. As sanctioned by the Companies Act 2017 and authorised by Articles of Association of the Company, following decisions are taken by the Board namely: -

- Issue of shares;
- Approval of financial statements;
- Approval of bonus to employees;
- Incurring capital expenditure and disposal of fixed assets;
- Declaration of interim dividend;
- Writing off bad debts, advances and receivables;
- Writing off inventories and other assets of the company;
- Make borrowings in the form of loans, debentures, leasing contracts or redeemable capital
- Investment of funds of the Company;
- To determine the terms of and the circumstances in which a law suit may be compromised and





a claim or right in favor of a company may be released, extinguished or relinquished

- Other matters of strategic nature e.g. taking over a company or acquiring a controlling or substantial stake in another company;

#### MATTERS DELEGATED TO THE MANAGEMENT

Management of the Company is entrusted with the responsibility to conduct operations of the Company adhering to corporate strategy approved by Board of Directors. Tactical and operational matters are delegated to the Management of the Company which mainly include:

- Cash flow Management;
- Selling and Marketing;
- Compliance with legal requirements;
- Production Management;
- Procurement Management and
- Other support functions like Human Resource Management.

#### COMPENSATION POLICY OF EXECUTIVE DIRECTORS WHO ALSO SERVE OTHER COMPANIES BOARD OF DIRECTORS

Executive Directors of the company shall be appropriately compensated for their service in the Company and for representation on the Company's Board. This compensation shall take into consideration the amount of time required to be devoted to Board activities, the fiduciary responsibility of such positions and the competitiveness of the compensation levels. Compensation is subject to change at the discretion of the Board. Board may approve revision in Directors' Compensation Policy from time to time.

No fee is paid to Executive Directors of the Company by way of their appointment in other associated companies in the capacity of Non-Executive Director.

Moreover, none of our Executive Director is working as Non-Executive Director in companies which are not associated companies.

#### SECURITY CLEARANCE OF FOREIGN DIRECTOR

No foreign director was on Board of Directors of the Company during the year.



## TERMS OF REFERENCE OF BOARD COMMITTEES

### AUDIT COMMITTEE

The Main terms of reference of the Audit Committee of the Company include the following: -

- a) Determination of appropriate measures to safeguard the Company's assets;
  - b) Review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
    - major judgmental areas;
    - significant adjustments resulting from the audit;
    - going concern assumption;
    - any changes in accounting policies and practices;
  - c) Review of preliminary announcements of results prior to external communication and publication;
  - d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
  - e) Review of management letter issued by external auditors and management's response thereto;
- compliance with applicable accounting standards;
  - compliance with these regulations and other statutory and regulatory requirements; and
  - all related party transactions.



- f) Ensuring coordination between the internal and external auditors of the Company;
- g) Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- h) Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i) Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- j) Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body;
- l) Determination of compliance with relevant statutory requirements;
- m) Monitoring compliance with these regulations and identification of significant violations thereof;
- n) Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o) Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Company by the external auditors in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the Audit Committee and where it acts otherwise it shall record the reasons thereof.
- p) Consideration of any other issue or matter as may be assigned by the Board of Directors.

#### HUMAN RESOURCE & REMUNERATION COMMITTEE

The Main terms of reference of HR&R Committee of the Company include the following:-

- i. Recommending human resource management policies to the Board;
- ii. Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of Chief Operating Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit;
- iii. Consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer or Chief Operating Officer; and
- iv. Where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the Company.

# MANAGEMENT COMMITTEES & TERMS OF REFERENCE

Management Committees are constituted to monitor and control the progress of various operational and strategic goals and ensure their effective contribution towards achieving Company's strategic objective.

Following is a brief description of each committee, its cross-functional composition and its terms of reference:-

## PROJECT MANAGEMENT COMMITTEE

Project management committee (PMC), serves as a driving forum to monitor the progress of agreed goals & objectives of the Company on consistent basis, and steer the organization in right direction in order to achieve the stated vision and mission of the organization.

### MEMBERS

#### Director

- Head of Department – Marketing
- Head of Department – Production
- Head of Department – Engineering
- Head of Department – Finance
- Head of Department – Information Technology
- Head of Department – Human Resource
- Head of Department – Commercial

#### Terms of reference

- Possible review each of the project areas – activities or sub projects
- Developing a framework for integrating planning.
- Tools for achieving sustainable coastal economies and environments
- Handling financial issues, budget monitoring and modifications
- Develop standards & follow-up project progress

NO. OF MEETINGS HELD: 42

## BUSINESS PROCESS REENGINEERING COMMITTEE

Business Process Re - engineering (BPR) team has been formed to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed on consistent basis. Information technology and information systems are the main areas of interest where

management is rigorously investing considerable resources to determine and then opt what feasible technological options are available that best meets the goals of the organization in order to remain cost competitive and provide the maximum return to stakeholders.

### MEMBERS

#### Director

- Head of Department – Marketing
- Head of Department – Production
- Head of Department – Engineering
- Head of Department – Finance
- Head of Department – Information Technology
- Head of Department – Human Resource

#### Terms of reference

- Our BPR team implies specific business objectives such as cost reduction, time reduction, output quality improvement.
- We focus on the most important processes that reflect our business vision.
- Understand and measure the existing process to avoid repeating of old mistakes and to provide a baseline for future improvements.
- Design and build the prototype of new processes and ensure quick delivery of results and involvement and satisfaction of customers.

NO. OF MEETINGS HELD: 12

## ENERGY MANAGEMENT COMMITTEE

Management has strong commitment towards securing the future of company, to remain competitive and provide the maximum return to stakeholders. Efficient use of energy cannot be compromised therefore; Energy Management Committee (EMC) has been formed to suggest the cost cutting opportunities for the sake of improvement in performance through wise energy use in all the departments of the Company.

### MEMBERS

#### Director

- Head of Department –Engineering
- Head of Department –Finance
- Head of Department –Production
- Head of Department –Marketing





### Terms of reference

- Our team is committed for annual energy cost reductions from continuous improvements.
- To minimize environmental impacts, it incorporates energy efficiency, water conservation, waste minimization, pollution prevention, resource efficient materials and indoor air quality in all phases of a building's life.
- EMC design plans that help us meet our climate protection commitments.
- The appointment of a full-time energy management coordinator ensures the plan proceeds.
- Responsible for energy procurement, monitoring and targeting energy savings, maintaining program of energy saving measures, raising energy awareness and corporate wide energy monitoring and reporting.

NO. OF MEETINGS HELD: 22

### TOTAL QUALITY MANAGEMENT COMMITTEE

Total Quality Management (TQM) committee is formed to improve quality at every level in the organization. TQM is an organization wide program aimed to ensure standardization and continual improvement in all its products, services, processes & procedures. This program lays down the Quality Management standards for all the processes & procedures in the organization and is equipping the existing human resources to improve their innate abilities in order to achieve the desired level of performance through synergistic activities.

### MEMBERS

#### Director

- Head of Department – Quality Assurance
- Head of Department – Marketing
- Head of Department – Production
- Head of Department – Engineering
- Head of Department – Finance
- Head of Department – Information Technology
- Head of Department – Human Resource
- Head of Department – Commercial

### Terms of reference

- Standardization of processes and operations within every function of the Company.

- Introduction of Performance Measurement System by developing Key Performance Indicators and continuous compilation of their associated data, analysis and reporting to concerned stakeholders, so that performance of every key function and process is monitored, controlled, and improved.
- Reduction and elimination of wastages from different processes.
- Improvement in organization wide abilities, procedures and plans.
- Training of employees on basic, medium and advanced problem solving and statistical tools in order to improve their analytical abilities.
- Creation of various forums within an organization where Quality improvement initiatives are formally institutionalized, e.g. Kaizen, Quality Circles, and functional / Cross Functional Teams.

NO. OF MEETINGS HELD: 12

### STANDARD OPERATING PROCEDURES REVIEW COMMITTEE

Standard operating procedures review committee has been formed to review and update SOP's for all the activities / procedures being performed in the Company & develop new SOP's if required.

### MEMBERS

#### Director

- Head of Department – Internal Audit
- Head of Department – Marketing
- Head of Department – Production
- Head of Department – Finance

### Terms of reference

- Documentation of all the important activities and procedures.
- Standardization of documents as prescribed by Quality Management standards.
- Incorporation of industry best practices in the procedures to make the system efficient and effective.
- Elimination of duplication of records in different procedures.

NO. OF MEETINGS HELD: 12

# OTHER CORPORATE MATTERS

## ANNUAL EVALUATION OF BOARD PERFORMANCE

The Board has set a criterion based on emerging and leading practices to assist in the self-assessment of an individual director and the full Board's performance. It is not intended to be all-inclusive. When completing the performance evaluation, the Board considers following main performance evaluation process or behaviour: -

- Adequate Board composition.
- Satisfactory Processes and Procedures for Board meetings.
- The Board sets objectives and formulates an overall corporate strategy.
- The Board has set up adequate number of its Committees.
- Each Director has adequate knowledge of economic and business environment in which the Company operates.
- Each Board member contributes towards effective and robust oversight.
- The Board has established a sound internal control system and regularly reviews it.
- The Board reviews the Company's significant accounting policies according to the adequate financial reporting regulatory framework.
- The Board considers the quality and appropriateness of financial accounting and reporting and the transparency of disclosures.

## EVALUATION CRITERIA OF BOARD PERFORMANCE

Following is the main criteria:

1. Financial policies reviewed and updated;

2. Capital and operating budgets approved annually;
3. Board receives regular financial reports;
4. Procedure for annual audit;
5. Board approves annual business plan;
6. Board focuses on goals and results;
7. Availability of Board's guideline to management;
8. Regular follow up to measure the impact of Board's decisions;
9. Assessment to ensure compliance with code of ethics and corporate governance.

During the year under review, the performance review of Board was not carried out by any external consultant.

## PERFORMANCE REVIEW OF BOARD COMMITTEES

Performance of Board Committees is regularly evaluated by the Board of Directors based on the terms of reference as defined and approved by the Board.

## CEO'S PERFORMANCE REVIEW

The performance of the CEO is regularly evaluated by the Board of Directors and this evaluation is based on the criteria defined by the Board of Directors which includes various financial and nonfinancial key performance indicators (KPIs). At the start of the year, CEO presents his KPI for the upcoming year to the Board of Directors. The Board periodically evaluates the actual performance against those KPIs during the year and discusses the future course of action to attain the Company's stated goals. The CEO also appraises to the Board regarding an assessment of senior management and their potential to achieve the objectives of the Company.



## BOARD'S REVIEW OF BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN

The Board of Directors periodically review the Company's Business Continuity & Disaster Recovery (BC/DR) plan to ensure that critical business functions will be available to customers, suppliers, regulators, and other entities that have access to those functions even under extraordinary circumstances. BC/ DR plan mainly includes daily tasks such as customer/ supplier correspondence, production data, trading activities, project management, system backups and help desk operations.

The primary activities of the Board for the execution of the plan include:

- 1) To develop and maintain a formal plan that is responsive to the Company's current business needs and operating environment.
- 2) To ensure that a Business Continuity Recovery Team includes representatives from all business units.
- 3) To provide ongoing business continuity training to all employees, including executive management and the Board.
- 4) Ensure that thorough current business impact analysis and risk assessments are maintained.
- 5) Ensure a centralized executive view of the business continuity plan and programs.

## CONFLICT OF INTEREST MANAGEMENT POLICY

The Company has the policy for actual and perceived conflicts of interest and measures are adopted to avoid any conflict of interest, identify the existence of any conflict of interest, and to disclose the existence of conflict of Interest. The Company annually circulates and obtains a signed copy of Code of Conduct applicable to all its employees and Directors, which also relates to matters relating to conflict of interest.

Further, it seeks to set out the process, procedures and internal controls to facilitate compliance with the Policy as well as to highlight the consequences of non-compliance with the Policy by all its employees and Directors. The Company Policy provides a guide as to what constitutes a conflict of interest, the processes and procedures that are in place in order to facilitate compliance and, the consequences of non-compliance. The Policy is intended to assist directors and employees in making the right decisions when confronted with potential conflict of interest issues.

## MANAGEMENT OF CONFLICT OF INTEREST

The primary goal of Kohinoor policy is to manage conflicts of interest to ensure that decisions are made and are seen to be made on proper grounds, for legitimate reasons and without bias. To do this Kohinoor has set the following procedures to manage and monitor the conflict of Interest:

1. Identify areas of risk.
2. Develop strategies and responses for risky areas.
3. Educate all employees about the conflict of interest policy.
4. Communicate with stakeholders to provide the platform for proper disclosure.
5. Enforce the policy.

Further, the directors are annually reminded of the insider trading circular issued by the Securities and Exchange Commission of Pakistan to avoid dealing in shares while they are in possession of the insider information. Every director is required to provide to the Board complete details regarding any material transaction which may bring conflict of interest with the Company for prior approval of the Board. The interested director does not participate in the discussion neither they vote on such matters. The transactions with all the related parties are made on arms-length basis and complete details are

provided to the Board for their approval. Further all the transactions with the related parties are fully disclosed in the financial statements of the Company.

## INVESTORS' GRIEVANCES POLICY

The Company believes that Investor services is a vital element for sustained business growth and we want to ensure that our Investors receive exemplary service across different touch points of the Company. Prompt and efficient service is essential to retain existing relationships and therefore, Investor satisfaction becomes critical to the Company. Investor queries and complaints constitute an important voice of Investor, and this policy details grievance handling through a structured grievance framework.

Grievance policy is supported by a review mechanism, to minimize the recurrence of similar issues in future. The Company's Grievance policy follows the following principles:

- Investors are treated fairly at all times.
- Complaints raised by Investors are dealt with courtesy and in a timely manner.
- Investors are informed of avenues to raise their queries and complaints within the organization and their rights if they are not satisfied with the resolution of their complaints.
- Queries and complaints are treated efficiently and fairly.
- The Company's employees work in good faith and without prejudice, towards the interests of the Investors.

## SAFETY OF RECORDS

The Company is effectively implementing the policy to ensure the safety of the records. All records must be retained for as long as they are required to meet legal, administrative, operational, and other requirements of the Company. The main purposes of the Company Policy are:

- To ensure that the Company's Records are created, managed, retained, and disposed of in an effective and efficient manner;
- To facilitate the efficient management of the Company's Records through the development of a coordinated Records Management program;
- To ensure preservation of the Company's Records of permanent value to support both

protection of privacy and freedom of information services throughout the Company to promote collegiality and knowledge sharing;

- Information will be held only as long as required, and disposed of in accordance with the record retention policy and retention schedules and
- Records and information are owned by the Company, not by the individual or team.

## IT GOVERNANCE POLICY

Kohinoor has properly documented and implemented IT governance Policy to ensure an integrated framework for evolving and maintaining existing information technology and acquiring new technology to achieve the Company's strategic focus. The purpose of this policy is to define the IT governance scope, and its roles and responsibilities. IT Governance policy consist of the following:

- To provide a structured decision-making process around IT investment decisions.
- Promotes accountability, due diligence, efficient and economic delivery of the Company's IT services.
- Lay down solid foundation for management decision making and oversight.
- Safeguard of Company's financial data.
- Development and up gradation of different modules to provide reliable, efficient and timely information.
- To create a culture of paper less environment within the Company.

## HUMAN RESOURCE MANAGEMENT

The Company is committed to build a strong organizational culture that is shaped by empowered employees who demonstrate a deep belief in Company's vision and values. Therefore, Human Resource Management (HRM) is an integral part of our business strategy. The Company fosters leadership, individual accountability and teamwork. The main objectives of the Company's HRM policy are:

- Selecting the right person, with the right experience, at the right time, offering the right compensation.
- Developing management philosophies and practices to promote and encourage motivation





and retention of the best employees.

- Recognizing and rewarding employees' contribution to the business.
- Fostering the concept of team work and synergistic efforts
- Encouraging and supporting team concepts and team building techniques.
- Nurturing a climate of open communications between management and employees.
- Making all reasonable efforts to achieve a high quality of work-life balance.

## SUCCESSION PLANNING

The Company believes in proactive approach towards succession planning. We recruit employees, develop their knowledge, skills, abilities, and prepare them for advancement or promotion into ever more challenging roles. Rigorous succession planning is also in place throughout the organization. Succession planning ensures that employees are constantly developed to fill each needed role. We look for people who exemplify continuous improvement when we are spotting future successors. In this relation, the Company also expends a lot in terms of finances and time for the training of its resources as is evident from the below trainings held during the year:

1. Emotional Intelligence
2. Effective Communication Skills
3. Project Management
4. Supply Chain Management
5. Simatic Program Logic Controllers
6. Building Impactful Brands
7. Benchmarking Session
8. Management Development Program
9. HSE Emergency Response Training
10. Developing Future Leaders

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

The Company's Social and Environmental Responsibility Policy reflects the Company's recognition that there is a strong, positive correlation between financial performance and corporate, social and environmental responsibility. The Company believes that the observance of sound environmental and social strategies is essential for building strong brand and safeguarding reputation, which in turn is vital for long term success.

### SOCIAL RESPONSIBILITY POLICY:

- Implementation of Employee Code of Conduct that fits with local customs and regulations.
- Culture of ethics and behaviour which improve values like integrity and transparency.
- Focusing on social involvement by developing multicultural teams with different competencies.
- Promoting the culture of work facilitation and knowledge transfer.
- Carrying out corporate philanthropy actions that focus in particular on preserving life and the environment.
- Maintaining collaborative relations with the society through a good harmony and effective communication.

### ENVIRONMENTAL RESPONSIBILITY POLICY

- Ensure our products, operations and services comply with relevant environmental legislation and regulations.
- Maintain and continually improve our environmental management systems to conform to the ISO Standards or more stringent requirements as dictated by specific markets or local regulations.
- Operate in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development and promotion of environmental responsibility amongst our employees.



- Responsibly managing the use of hazardous materials in our operations, products and services and promote recycling or reuse of our products.
- Inform suppliers, including contractors, of our environmental expectations and require them to adopt environmental management practices aligned with these expectations.

## POLICY ON DIVERSITY

At Kohinoor Textile Mills Limited, we aim to be an inclusive organisation, where diversity is valued, respected and built upon. We recruit and retain a diverse workforce irrespective of religious and political beliefs, gender, race, ethnicity, disability, education, colour, language, age, socioeconomic background, and geographic location and region. The culture of the Company values differences and recognises that stakeholders from different backgrounds and experiences can bring valuable insights to enable a collaborative work environment by introduction of varied ideas and perspectives within the Company.

We Aim to pro-actively tackle discrimination and to ensure that no individual or group is directly or indirectly discriminated against for any reason regarding employment and the Company bears no tolerance for harassment/bullying and persecution. The Company has a whistle blowing policy in place, and employees are encouraged to report all such matters and related grievances to the Human Resources department.

The Board ensures application of diversity policy through Human Resource department by ensuring that all talent hunting seminars, job fairs and advertisements specifically mention that we are an equal opportunity employer in all areas and we nourish an organizational culture where individual differences are appreciated rather than criticized for novel ideas and improvements. Furthermore, Internal Audit department ensures and reports compliance of diversity policy on periodic basis.

## WHISTLE BLOWING POLICY

In line with the Company's commitment to open communication, the whistle blowing policy through

non-conformance reporting was designed to provide an avenue for employees to raise concerns, and reassurance that they will be protected. As an aware and attentive organization, Kohinoor believes in the conduct of the affairs of its business in a fair and see-through approach by adopting the uppermost principles of professionalism, truthfulness, reliability and principled manners. The said policy has the following main procedures:-

1. All Protected Disclosures should be addressed to the nominated Ombudsperson of the Company.
2. Protected Disclosures should preferably be reported in writing so as to ensure a clear understanding of the issues raised and should either be typed or written in a legible in English, Urdu or in the regional language.
3. The Protected Disclosure should be forwarded under a covering letter which shall bear the identity of the Whistle Blower.
4. Protected Disclosures should be factual and not speculative or in the nature of a conclusion, and should contain as much specific information as possible to allow for proper assessment of the nature and extent of the concern and the urgency of a preliminary investigative procedure.
5. Anonymous disclosures will not be entertained by the Ombudsperson as it would not be possible for it to interview the Whistle Blowers.
6. If initial enquiries by the Ombudsperson indicate that the concern / complaint has no basis, or it is not a matter to be investigation pursued under this Policy, it may be dismissed at this stage.
7. Where initial enquiries indicate that further investigation is necessary, this will be carried through in a fair manner, as a neutral fact-finding process and without presumption of guilt. A written report of the findings would be made.

In Kohinoor, no whistle blowing related incidence was highlighted and reported under the above said procedures during the year.

## GOVERNANCE PRACTICES EXCEEDING LEGAL REQUIREMENTS

The management of the Company believes to follow best governance practices that can be implemented in the Company's environment. To implement these practices the minimum benchmark is to comply with all the legal requirements. However, the management goes ahead to implement best practices of corporate governance that are followed globally and are in favour of the Company's shareholders, employees, environment and community.

Following additional governance practices implemented by the management include:

- Disbursement of additional corporate and financial information to shareholders and legal authorities, although not required by any law, to make the Company's affairs more transparent and to give better insight of the Company's affairs, policies and strategies.
- Implementation of Health, Safety and Environment Policy for better and safe work place environment for employees, workers and surrounded community.
- The Company understands and fulfil its corporate social responsibility and has implemented various social projects for welfare of the community.

## RELATED PARTY TRANSACTIONS

The Company has made detailed disclosures about related party transactions in note 37 of unconsolidated financial statements annexed with this annual report. Such disclosure is in line with the requirements of the 4th Schedule to the Companies Act, 2017 and applicable International Financial Reporting Standards.

Moreover, the Company has also decided to place its related party transactions before the Annual General Meeting for obtaining shareholders' approval for the same. Details of party-wise disclosure of such transactions is also given in the statement u/s 134 annexed with the Notice of AGM.

## TRANSACTION / TRADE OF COMPANY'S SHARES

The Board has reviewed the threshold for disclosure of interest by executives holding of Company's shares which includes Chief Executive Officer, Chief Financial Officer, General Manager (Finance), Head of Internal Audit and Company Secretary. None of the Directors, CEO, CFO, GM (Finance), Head of Internal Audit and Company Secretary (including their spouses and minor children) traded in the shares of the Company.

However, 6% Right Shares were offered to the entitled shareholders and subscribed by them during the year including investors and Directors of the Company.





# STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT



# POLICY FOR STAKEHOLDERS' ENGAGEMENT

Kohinoor Textile Mills Limited maintains sound collaborative relationships with its stakeholders. The Company understands the importance of continuous collaboration with shareholders of the Company regarding all significant decisions to be made, the performance of the Company in varying circumstances, challenges it faced and the necessary steps taken to mitigate those challenges.

## BOARD'S INTERACTION WITH MAJOR SHAREHOLDERS

The Board has devised a mechanism to arrange interactive sessions between management of the Company and its shareholders to solicit and understand views of shareholders. It includes management briefings to its shareholders about the performance of the Company, macro and micro economic factors affecting the Company, prospects of the Company and the steps taken by the Company to improve its performance in challenging circumstances. These communications help the Board to understand and resolve the concerns of the shareholders and to add synergy factor to achieve better results in the Company's prospects.

## PROCEDURES FOR STAKEHOLDERS ENGAGEMENT:

Procedures for stake-holders engagement includes effective communication, good harmony, compliance with laws & regulations and customer focused approach which are the key success for establishment of collaborative relationship with stakeholder.

## ENGAGEMENT FREQUENCY

The Company maintains its good relationships with all stakeholders based on mutual interest, integrity and confidence. The Company maintains collaborative relations with our stakeholders through harmonious and effective communication and through our customer focused approach. Moreover, the Company maintains good relationship with its Bankers and arranges Investors' conferences periodically to discuss business prospects and financial management plans with the Lenders which also enhances their confidence in the Company.

STAKEHOLDERS	NATURE OF ENGAGEMENT	FREQUENCY
SHAREHOLDERS	Annual general meeting Annual report/Quarterly reports Investor Conference Analyst briefing	Annually Annually/Quarterly Annually Continuous
EMPLOYEES	Kohinoor magazine Annual get together Team cultural activities	Quarterly Annually Continuous
CUSTOMERS	Customer events	Continuous
SUPPLIERS	Regular meeting with major suppliers Supplier forums Newspapers advertisement	Continuous Occasionally As required
INSTITUTIONAL INVESTOR	Business briefings Periodic meetings Financial reporting Head office/site visits	Occasionally As required Continuous As required
COMMUNITY ORGANIZATIONS	Environmental campaign Safety management system	Continuous As required
MEDIA	Media announcements and briefings Media interviews	As required As required
REGULATORS	Submission of periodic reports Responding/enquiring various queries/ information	Periodic basis As required
ANALYST	Corporate briefing and analysis Forecasting and financial modelling	As required As required
LOCAL BODIES	Sponsorship of local events Corporate social projects	As required As required
BANK AND OTHER LENDERS	Treasury operational transactions Financing and borrowing Investments	Continuous As required As required

## STEP TO ENGAGE MINORITY SHAREHOLDERS TO ATTEND GENERAL MEETINGS

Notice of Annual General Meeting is sent to all shareholders of the Company at least twenty-one days before the date fixed for meeting. Such notice is published in Urdu and English languages in at least in one issue each of daily newspaper of respective language having nationwide circulation. Further, notice of AGM is also placed on Company's website.

## ISSUES RAISED IN THE LAST AGM, DECISIONS TAKEN AND THEIR IMPLEMENTATION STATUS

On query of a shareholder, the House was informed that cost had escalated tremendously over the period eroding away margins. Increasing raw material cost, gas tariff and minimum wages were also adversely affecting the bottom line. Overall textile exports had witnessed enormous decline owing to challenges from the regional competitors with high cost of doing business.

Further, it was informed that all operating divisions had been major investment for upgradation resulting in marked improvement in overall efficiency. The Company had invested heavily in value addition and the processing and cut and sew divisions had shown strong results.

## SIGNIFICANT CORPORATE BRIEFING SESSIONS

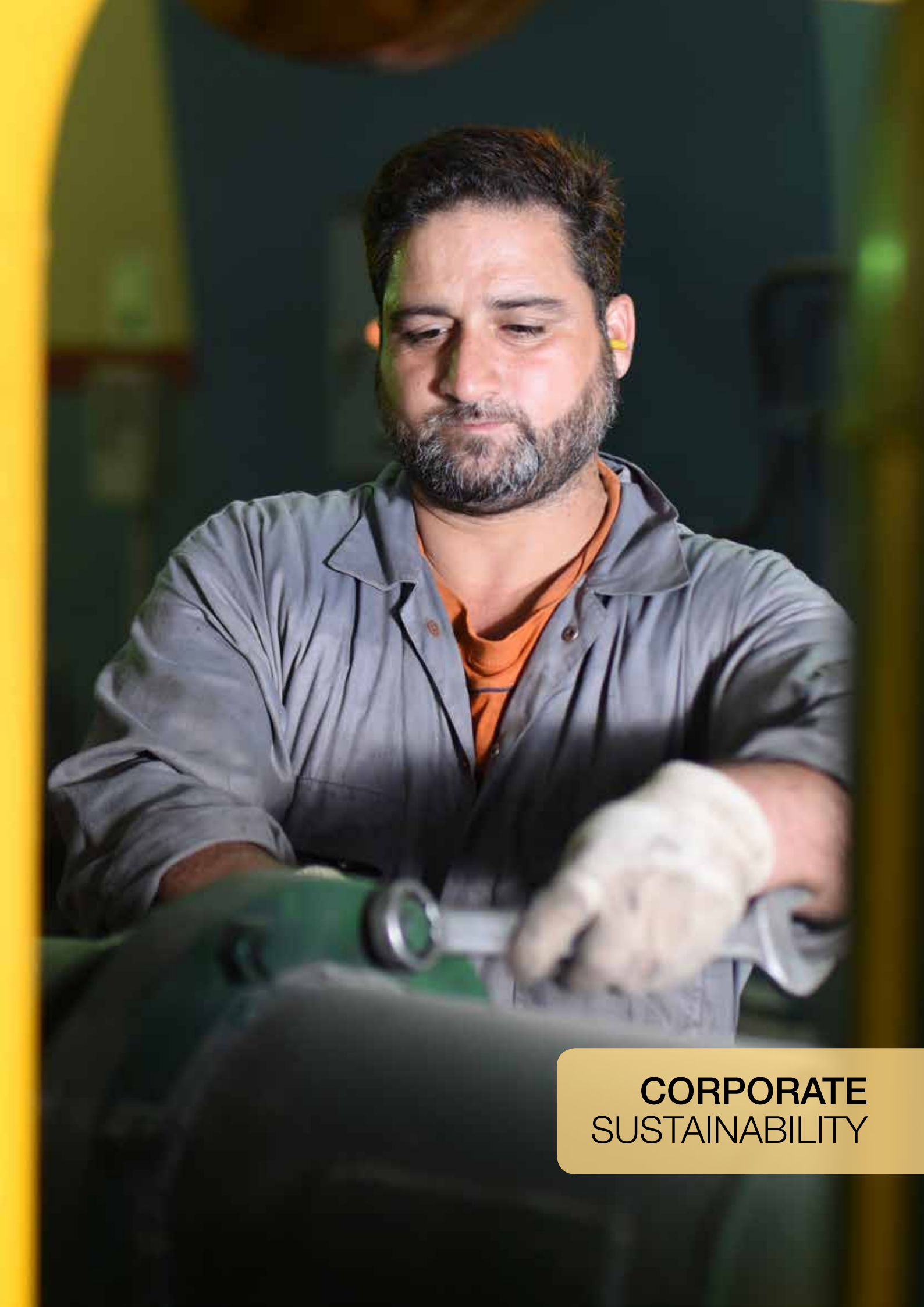
The interactive sessions include the annual general meeting, extra ordinary general meetings, corporate briefings/road shows, responding to investor queries either raised on email, website or on telephone. During the year, following major international and local road shows/corporate briefings sessions were held with investors:

- MENA & Frontier Conference at Dubai
- EFG Hermes London Conference
- South Asia Conference, Dubai
- 14th Annual One on One Conference EFG Hermes, Dubai
- Karachi PSX Brokers Meeting Organized by AKD

## INVESTORS' RELATIONS SECTION ON CORPORATE WEBSITE

The Company disseminates information to its investors and shareholders through a mix of information exchange platforms, including its corporate website. The website is updated regularly to provide detailed and the latest Company information including financial highlights, investor information and other requisite information besides the link to SECP's investor education portal; the 'Jamapunji'.





**CORPORATE  
SUSTAINABILITY**

## INDUSTRIAL RELATIONS

The Company has established an Industrial Relations (IR) department for determination of adequate terms and conditions of employment. Further, the IR department is responsible for avoidance and settlement of disputes and differences between the Company, its employees, and their representatives through negotiation. The Company operates a Provident Fund and a Worker's Profit Participation Fund for its employees, as well as paying bonuses to employees on the basis of the Company's profitability and individual performance. The Company is committed to providing equal opportunities to all existing and prospective employees without discrimination on the basis of race, religion, gender, or age.

## ENERGY SAVING MEASURES

Given the current energy crisis in Pakistan, Kohinoor's management recognises the importance of the efficient usage of energy in the corporate sector, and therefore has formed an energy committee with the aim of finding more efficient and sustainable methods for generating and managing energy. The Company's processing department has already reaped large benefits through its collaboration with several major multinational chemical suppliers; together they have substantially reduced the usage of water, chemicals, and energy while maintaining or improving quality and environmental standards. The Company hopes that future progress in these projects will yield further reductions in the costs of energy and usage of other resources such as water, etc. Further, in anticipation of increased scarcity and load shedding of natural gas and electricity, the Company is taking steps to further diversify its energy production capabilities, expanding into steam generation via wood, coal and waste heat recovery, and initiating a pilot project in solar heating of water. The Company remains committed to explore sustainable alternative energy sources which is evident from installation of HFO based engines in its weaving and power division.

## CONSUMER PROTECTION MEASURES

We are committed to ensuring that our products are shipped in a manner complying with the highest safety standards and meeting or exceeding all legal requirements. The Company takes care and applies appropriate procedures to manufacture its products so as to ensure that no harmful substances are present in any of its products.

## QUALITY MANAGEMENT SYSTEMS

The Company maintains its reputation as a high-quality supplier and owes its current business, in large part, to this reputation. Quality control checks occur at all points in the production chain, starting at the delivery of raw material to the factories, through to the Quality Assurance team acting as the customer's representative when conducting audits of finished goods before handing them over to the customer's audit teams for the final inspection. It is worth noting that the Company's Quality Management Systems are so highly regarded that several customers no longer require the presence of external auditors before shipping of finished goods. The Company is ISO-9001:2008 certified and firmly believes in the necessity of Quality Management Systems.

## INFORMATION TECHNOLOGY

Management has a strong commitment to strengthen the platform for information technology and information systems in order to remain competitive and cater the requirements of coming era. The Company continues to upgrade and improve our information systems and processes, an effort led by a team of IT professionals with wide ranged experience in latest information technologies.

## OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENTAL (HSE) PROTECTION MEASURES

The Company continues to meet and exceed the health and safety standards required for SA 8000 certification. Frequent audits are conducted by customers, regulatory agencies, and the Company's own audit teams in order to ensure compliance with these standards and those set by the Company's customers. The Company strives to provide a safe and healthy workplace for its employees and to act responsibly towards the communities and environment, in which it operates. It realizes this through the commitment of its leadership, the dedication of its staff, and application of the highest professional standards of work. Recently, we have done a complete re-examination and improvement of our fire safety protocols to further ensure the safety of our employees. Management takes all possible measures to prevent unsafe activities by its hiring practices and through the implementation of effective management, human resources and operational policies.



## BUSINESS ETHICS & ANTI-CORRUPTION MEASURES

The Company, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Employees are encouraged to report any deals that may be supported by kickbacks, and no employees are allowed to run parallel businesses. The Company maintains a system by which any employee can report the non-conformance (NC) to the top management. All NCs reported are addressed by the top management on timely basis and a regular follow up activity is being carried out in order to ensure that all issues highlighted are permanently resolved. Further, the Company's Internal Audit department is empowered to perform regular and ad-hoc checks and audits of any and all functions and operations of the company and reports directly to the Audit Committee. Moreover, the Company has also formulated whistle blowing policy.

## ENVIRONMENTAL PROTECTION MEASURES

Management understands the harmful effects of contaminated water on the surrounding areas after emission from the mill's premises. In order to prevent the potentially harmful effects of any chemicals used in processing on the surrounding water table, a waste water treatment plant has been constructed minimizing or negating any contamination in water discharged from the factory. Further, the Company continues to investigate and implement pilot projects into alternative, sustainable energy sources.

## NATIONAL CAUSE DONATIONS

During the year, company has contributed donations to various charitable and Educational institutes serving for the community.

The Company's Board of Directors and the Board of Maple Leaf Cement Factory Limited have jointly decided to donate Rs.132.495 Million to Gulab Devi Educational Complex, Lahore towards construction of Al-Aleem Medical College in Gulab Devi Chest Hospital (GDCH), Lahore.

The Company has also contributed in the past for medical social service projects and in this regard the Company had donated a state-of-the-art Cardiac facility to the Gulab Devi Chest Hospital (GDCH) in Lahore by building Sayeed Saigol Cardiac Complex at GDCH.

## SECURITY

The Company maintains its dedication to security, and is fully compliant with the Customs Trade Pact against Terrorism (CTPAT), performing frequent and regular audits to ensure it remains so. All areas of the Company premises are monitored using video surveillance, as per CTPAT requirements. We are also compliant with the standards set by our international customers, many of which exceed those of CTPAT.

## CONTRIBUTION TO NATIONAL EXCHEQUER

During the year the Company has contributed amounted to Rs. 588.72 million (2017: 996.17 Million) in respect of taxes, levies and duties. Moreover, we have also contributed (USD) 57.901 million (2017: 73.363 Million) to the national treasury by way of export sales.

## EMPLOYMENT OF SPECIAL PERSONS

The Company has employed disabled persons in compliance with the rules set out by the Government of Pakistan which is 3% quota of the total workforce necessitated to be allocated to disabled persons.

## COMMUNITY INVESTMENT AND WELFARE SCHEMES

The Company has a long tradition of maintaining good community relations, and many of its employees are actively involved in welfare schemes. We believe that investing in our communities is an integral part of our social responsibility, and is vital to ensure the sustained success of the Company. We aim to ensure that our businesses and factories have the resources and support to identify those projects, initiatives, and partnerships that can make a real difference in their communities, and those that will mean something to our employees and their families.

## RURAL DEVELOPMENT PROGRAM

The Company's Mills are located in rural area therefore various corporate social responsibility activities are effectively implemented in those areas. The Company has been working hard to initiate and sustain rural development programs for the enhancement of health of the rural population. Therefore a "Dengue Fever Awareness Program" was carried out to demonstrate the prevention techniques and share knowledge with community members to ensure maximum awareness at plant site and the local community.



## MITIGATING EFFORTS TO CONTROL INDUSTRY EFFLUENTS

Traditionally, dyeing factories have been considered environmentally hazardous but Kohinoor has installed the most modern and state-of-the-art equipment to control effluent discharge negating the effects industrial effluents on the surrounding environment; the Company makes every effort to ensure a healthy environment to employees and locals. To enhance environmental standards and continuously promoting a better and Green Environment within the factory as well in the nearby areas the Company is arranging regular Tree Plantation activities to provide healthy environment to employees and other community living in surroundings.

## BEST CORPORATE REPORT AWARD

The Company again bagged award for “Best Corporate Report 2017” in the award ceremony jointly hosted by Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) in Textile Sector by securing 1st position. This achievement secured by the company reflects best ethical

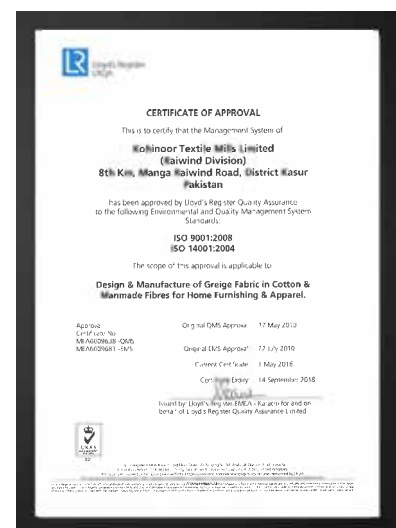
values and management practices in corporate reporting. The Company has promoted accountability and transparency through provision of accurate, informative, factual and reader-friendly Annual Reports on timely basis for the valuable stake holders.

## SAFA BEST PRESENTED ANNUAL REPORT AWARD

Company’s financial statements for the year ended 30 June 2016 have been nominated by the Joint Committee of ICAP and ICMAP for SAFA best presented accounts competition award and obtained second position in manufacturing sector.







# CALENDAR OF CORPORATE EVENTS

JULY 2017 - JUNE 2018

CORPORATE CALENDAR	
Board Meeting to Offer 6% Right Shares	17-Aug-17
Announcement of annual results for year 2016-17	13-Sep-17
Final Dividend 2017 Declared @ Rs. 1.50 / Share	13-Sep-17
Declaration of 1st Quarter 2017-18 Financial Results	24-Oct-17
Annual General Meeting 2016-17	26-Oct-17
Declaration of Half Yearly 2017-18 Results	16-Feb-18
Interim Dividend 2017-18 Declared @ Rs. 1.25 / Share	16-Feb-18
Declaration of 3rd Quarter 2017-18 Results	25-Apr-18

# CALENDAR OF OTHER NOTABLE EVENTS

JULY 2017 - JUNE 2018





**OUTLOOK**

# FORWARD LOOKING STATEMENT

We, export-oriented textile manufacturer, expect that Government will continue the DLT scheme being announced in the last financial year and will eliminate condition of 10% increase in the current year export sales as compared with last year. Moreover, finance ministry will release funds to settle the pending DLT approved cases and sales tax refunds. This will result in reduction of financial cost of the Company and will improve profit margins.

Some further minor hindrances need to be removed in zero rated sales tax regime, which should lead to arrest the decline in exports from Pakistan. The Company is actively taking advantage of the State Bank's Long-Term Financing Facility, resulting in large-scale investment in modernization and expansion of our sites. It is hoped that this excellent facility will continue

Dividend income from the Company's subsidiaries is expected to be substantial and should further bolster the Company's balance sheet. We envisage improved turnover in spinning division due to improved performance and better marketing position in the Spinning division due to cost reduction measures taken and favorable exchange rates, going forward. Trading conditions in the US are stable, although Europe continues to face difficulties.

We are confident that the Company will be able to meet the challenges presented by local as well as international conditions. Future financial forecasts based on management's best estimates are as follows:

## FINANCIAL FORECAST

The projections are very encouraging with continued growth expected locally and internationally as new potential businesses are being explored and various measures adopted by the Company to reduce the cost.

Financial Forecast	FY 2018-19 Rs. in Million
Revenue	20,600
Gross Profit	3,058
Profit from Operations	2,445

## Financial & Non-financial considerations

Financial considerations are used to make the projections of the Company which are as follows:

- Increase in sales volume for all types of products.
- Reduced cost of production through:
  - a. optimizing power generation mix
  - b. lower weighted average cost of capital

Non-financial measures are the many intangible variables that impact performance of the Company. These are difficult to quantify compared to financial measures but equally important. These indicators are more likely to be closer to the long-term organizational strategies. Following are the non-financial measures in place by the Company:

- Stakeholder's engagement – different committees and forums are in place and meetings are held periodically to keep the stakeholders involved in every aspect of the business.
- Customer satisfaction – Company places strong emphasis on customers' satisfaction and ensure to produce & deliver the goods as per specific demands of customers.
- Employee's development - the Company has conducted various training courses for the development of existing human capital.
- Innovation in manufacturing methods – ongoing R&D is in place to improve the production process and efficiencies



## SWOT ANALYSIS

SWOT analysis is being used at Kohinoor Textile Mills Limited (KTML) as a strategy formulation tool, to match our strengths with perceived opportunities and minimize our weaknesses to avoid market and other threats.

Management at KTML, considers the following factors of SWOT analysis relevant to us:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Latest and state of the art equipment for meeting quality management standards</li> <li>• Experienced Management &amp; qualified team</li> <li>• Dedicated customer services</li> <li>• Strong local and International branding</li> <li>• Vertically integrated composite units</li> <li>• Well diversified fuel mix and efficient operation</li> <li>• Captive power producer</li> <li>• Solar power generation</li> <li>• Efficient information systems</li> </ul>	<ul style="list-style-type: none"> <li>• High operating leverage (being capital intensive industry)</li> <li>• Higher Taxation</li> <li>• Labor Productivity</li> <li>• Infrastructure issues</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Potential to expand product lines in new markets locally &amp; internationally</li> <li>• Rising population works as a catalyst for fabric needs</li> <li>• GSP plus status for Pakistan</li> <li>• Export re-finance scheme and provision of long-term finances at reduced mark-up rates</li> <li>• Reuse treated effluent</li> <li>• Devaluation of Pak. Rupee.</li> </ul>	<ul style="list-style-type: none"> <li>• Reliance on imported raw materials</li> <li>• Unavailability of high-end raw cotton locally</li> <li>• Stiff competition from textile-based countries</li> <li>• High incidence of taxes</li> <li>• Increase in international fuel prices</li> <li>• Effect of devaluation of Pak. Rupee on imports.</li> <li>• Unstable political situation</li> </ul>

## SOURCES OF INFORMATION AND ASSUMPTIONS

The preparation of financial statements requires management and the Board of Directors to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingencies. These estimates are based on historical experience and various other assumptions that management and the Board believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

### Estimating useful life of assets

The useful lives are estimated having regard to the factors as asset usage, maintenance, rate of technical and commercial obsolescence. The useful lives of assets are reviewed annually.

### Investment properties

Investment properties are valued at fair value determined by an independent valuer having relevant professional qualifications. The fair value is determined on the basis of professional assessment of the current prices in an active market for similar properties in the same location and condition.

### Taxation

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognized on tax losses not yet used and on temporary differences where it is probable that there

will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

#### Employee benefit scheme

The defined benefit obligations are based on actuarial assumptions such as discount rate, expected rate of return on plan assets, expected rate of growth in salaries and expected average remaining working life of employees which are extensively detailed in relevant notes to the financial statements.

### STATUS OF CURRENT AND PREVIOUS PROJECTS

The Company's initial of 1-MW solar installation has been a great success and we are currently on track to expand our renewable energy footprint in working towards becoming a truly "green" manufacturer. Now company is planning to undertake a 2-MW solar power plant and will hopefully be a success in the coming year. This project, in combination with recently installed 1-MW solar power plant, will help reduce average power generation cost.

### ANALYSIS OF PRIOR YEAR FORWARD LOOKING DISCLOSURE

The Company's actual performance in terms of profit from operations for the year 2017-18 exceeded the forward-looking disclosures made in the last year annual report.

Net profits improved significantly due to exceeded dividend income from subsidiary company. Sales dropped mainly due to exports but local sales made significantly high contribution as compared with the projections. Gross profits dropped mainly due to increased prices of local as well as imported raw material and increased operating costs which mainly include the costs of fuel and power. Finance cost also increased significantly during the year due to borrowing availed to meet the increased working capital requirements that varies with the level of business activities. Dividend income significantly increased as compared with the projections which mainly helped increase the bottom line of the Company's financial performance.







PERFORMANCE  
AND POSITION



# COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The management of the Company strongly believes in adherence to unreserved compliance with all the applicable International Accounting Standards (IAS)/IFRS vital to true and fair preparation and presentation of financial information. Compliance to IFRS encourages sufficient disclosures of the financial statements that are beneficial for informed decisions of stakeholders.

Financial statements for the year 2017-18 have been prepared in accordance with the accounting and reporting standards issued by International Accounting Standards Board as are applicable in Pakistan. IFRS adoption status in detail is explained in note 2.1 (a) of annexed standalone and consolidated financial statements.

## INTEGRATED REPORTING

Kohinoor Textile Mills Limited is engaged in the production and sale of yarn, cloth and textile products. Management of the Company following the spirit of adhering to the best corporate governance practices and its reporting thereof is committed to generate greater value for the organization and its stakeholders. Keeping in view the globalized business scenario and the ever-increasing expectations of all the stakeholders being users of published annual report, integration of corporate governance briefings, social and environmental information with financial information is vital to organizational position and performance reporting.

The Company has adopted the International Integrated Reporting (IR) Framework to give an overview of the Company's business affairs by presenting all the financial and non-financial information considering the variable interests of a wide range of stakeholders. The management is committed to achieve excellence in transparent reporting in all aspects. The Company is in the process of adoption of IR Framework to continuously improve the quality of information produced, and communicate its operations and financial structure to the stakeholders and be prepared to manage any risk that may affect the long-term sustainability of the business. The Company has incorporated in this report the following Content Elements of IR Framework: -

- Organizational overview and external environment
- Strategy and resource allocation
- Risks and opportunities
- Governance
- Outlook
- Position and Performance

IR framework is in its initial stages of adoption in the Company. Moving ahead with the tradition of providing information to its stakeholders that goes beyond the traditional requirements of financial reporting frameworks and other legal requirements, by doing so we believe the stakeholders gain a better understanding of the Company, nature of its business, strategies, opportunities and risks, business model, governance and performance which itself is a form of value creation for its stakeholders.

# FINANCIAL REVIEW

## FINANCIAL RESULTS: CURRENT VS PREVIOUS YEAR

Financial highlights of key operating results for the year 2017-18 are as follows:

Description	2018	2017
	(Rs. In Million)	
Equity	15,821	13,923
Capital Employed	17,671	15,699
Revenue	17,834	17,405
Gross Profit	2,478	2,581
Profit from Operations	2,516	3,170
Net Profit before Tax	2,154	2,903
Operating Cash Flows	395	1,172
Investing Cash Flows	(2,203)	(197)
Financing Cash Flows	1,815	(1,049)

Comments on favourable / unfavourable variances in financial results:

- Equity increased by 14% from previous year, from Rs. 13,923 million (2017) to Rs 15,821 million (2018). The Company has issued 16,941,308 right shares at Rs 60 per share at a premium of Rs 50 per share; and, increase in retained profits of Rs 867 million.
- Borrowing increased to finance the purchase of right-shares issued by subsidiary company and for investment in property, plant and equipment. Increase in short-term borrowing utilized for purchase of stocks to meet working capital requirements.
- Sales revenue has been increased by 2.5%, from Rs. 17,405 million (2017) to Rs 17,834 million. Increase in sales is mainly attributable to outstanding performance of spinning division where 24% increase have been witnessed during the year under review. Weaving division 4%, and Processing & Home textile division has recorded decrease of 18% in sales revenue during the year due to stiff competition in export market.
- Cost to revenue ratio has been increased from 85.17% to 86.11% during the year. Major reasons contributing such increase are hike in raw material prices, fuel & power cost and stores, spare & loose tools consumed.
- Gross Profit has been decreased from 14.83% to 13.89% in current financial year mainly due to reduced profit margins.
- Finance cost has been increased by Rs 95 million due to increase in weighted average cost of capital (WACC) and increase in borrowings to

purchase right-shares issued by the subsidiary company.

- Net profit to sales ratio has been decreased from 13.51% to 9.33% due to decrease in dividend income from subsidiary company and increase in finance cost.
- Cash flow from operating activities has been decreased by Rs 776 million mainly due to increase in stocks.
- Net outflow in investing activities is due to capital expenditure on property, plant & equipment and investment in subsidiary company.
- Financing activities are showing net inflow due to increase in borrowings to finance the increased working capital requirements.

## FINANCIAL RESULTS: ACTUAL VS BUDGET

Sales and profitability of the company for the year ended 30 June 2018 compared with the projections / budget is as under.

Description	Actual 2018	Budget 2018
	(Rs. In Million)	
Revenue	17,834	18,622
Gross Profit	2,478	2,752
Profit from Operations	2,516	1,724

Profits improved significantly due to exceeded dividend income from subsidiary company.

Sales dropped mainly due to exports whereas local sales made significantly high contribution as compared with the projections. Gross profits dropped mainly due to increased prices of local as well as imported raw materials and increased operating cost, which mainly include the costs of fuel and power. Finance cost also increased due to borrowing availed to meet the increased working capital requirements. Dividend income significantly increased as compared with the projections which mainly helped increase the bottom line of the Company's financial performance.

## SEGMENTAL REVIEW OF BUSINESS PERFORMANCE

Segment wise profits before taxation and unallocated income and expenses for the year ended 30 June 2018 are as under:



Operating profit of spinning business segments improved during the year due to sales volume increase and moderately better selling margins.

Weaving and Home Textile business segments performed comparatively low mainly because of reduced sales volume and increased raw material and operating costs.

Description	2018 (Rs. in Million)	2017
Spinning	1,142	989
Weaving	64	76
Processing and Home Textile	282	517

## FREE CASH FLOWS

Description	2018 Rs. '000	2017 Rs. '000
Net cash generated from operating activities	891,663	1,914,450
Capital expenditures	(851,614)	(1,236,491)
Net borrowings	148,943	602,169
Free Cash Flows	188,992	1,280,128

## ECONOMIC VALUE ADDED

Description	2018 Rs. '000	2017 Rs. '000
Net Operating Profit after Tax	1,958,362	2,568,598
Less: Cost of Capital	(830,990)	(1,438,310)
Economic Value Added	1,127,372	1,130,288

## COMPOSITION OF LOCAL VERSUS IMPORTED MATERIAL AND SENSITIVITY ANALYSIS

	2018		2017	
	Rs. '000	%	Rs. '000	%
<b>Local Materials:</b>				
Raw materials	7,332,491	56%	7,372,628	59%
Stores and spares	1,048,346	8%	933,615	7%
Fuel and power	2,003,884	15%	1,988,356	16%
	10,384,721	79%	10,294,599	82%
<b>Imported Materials:</b>				
Raw materials	2,618,032	20%	2,148,151	17%
Stores and spares	92,592	1%	157,067	1%
	2,710,624	21%	2,305,218	18%
	13,095,345	100%	12,599,817	100%

### Sensitivity analysis

For each percent change in value of foreign currency, cost of imported materials will change by Rs 27.106 million (2017: 23.052 million).

	2018	2017
Appreciation of PKR	(27.106)	(23.052)
Depreciation of PKR	27.106	23.052
Percentage of COS	0.18%	0.16%

The management of the Company constantly monitors the international prices of imported materials and exchange rates fluctuations. Management takes necessary measures to mitigate such impacts as per Company's risk management policies.

## RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES FOR EPS

Description	2018	2017
	Number of shares	
Weighted average number of shares outstanding at beginning of the year	285,178,699	282,355,148
Bonus element in right issue - weighted average number of ordinary share	-	2,823,551
Weighted average number of shares outstanding at beginning of the year - restated	285,178,699	285,178,699
Right issue - weighted average number of ordinary share	9,901,770	-
Weighted average number of shares outstanding at end of the year	295,080,469	285,178,699

### FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT

Market value of the Company's property, plant and equipment is around Rs. 13.66 billion. The Company's property, plant and equipment except freehold land and capital work in progress are stated at cost less accumulated depreciation and accumulated impairment loss in its financial statements. Freehold land is stated at revalued amount at the date of revaluation less any identified impairment loss and capital work-in-progress is stated at cost.

### SIGNIFICANT / MATERIAL ASSETS OR IMMOVABLE PROPERTY

The Company's material assets comprise of land, building, ring spinning machinery, open-end spinning machinery, wider width weaving looms, high definition digital printing machine, printing rotaries, dyeing and finishing machines, Jenbacher, Wartsila and Nigatta engines, and solar power plant installation.

### SHARE PRICE SENSITIVITY ANALYSIS

Company's share price is directly linked with the operational and financial performance of Company. In the current situation, Management considers the following factors to which the performance and share price of the Company may be sensitive.

#### a. Agriculture

Performance in textile sector is mainly dependent on better results of agriculture sector for supply of quality cotton on cheaper rates. Good environmental conditions for cotton crop, having required rain falls, results in

optimal quality of cotton with reasonable prices. Availability of quality cotton on cheaper rates supports to generate higher profit margins for producing various types of yarn which in turn affect positively the share price of the Company.

#### b. Demand Factor

Increase in demand of yarn / fabric & home textile products may result in increase in market price which will contribute towards better profitability and earnings per share (EPS) which will ultimately increase the share price.

#### c. Increase in Cost of Production

Any increase in variable cost (raw materials, power & utilities cost) may badly affect the gross margins and will resultantly fall in the profitability and fall in EPS. This may badly affect the market price of the share downward.

#### d. Political Unrest (Strikes, protests)

Volatile political situation often creates disruption in the business processes. Strikes, protests create hindrance in production operations which may adversely affect the Company to meet deadlines of National / International customers. This factor although not very much material at the moment, but may affect share price of the Company adversely.

#### e. Change in Government Policies

Any change in Government policies related to textile sector may affect the share price of the Company. If policy change is positive than share price will increase, otherwise vice versa.



# STATEMENT OF CASH FLOWS (DIRECT METHOD)

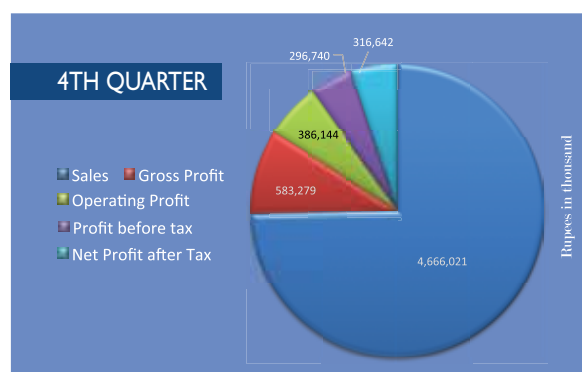
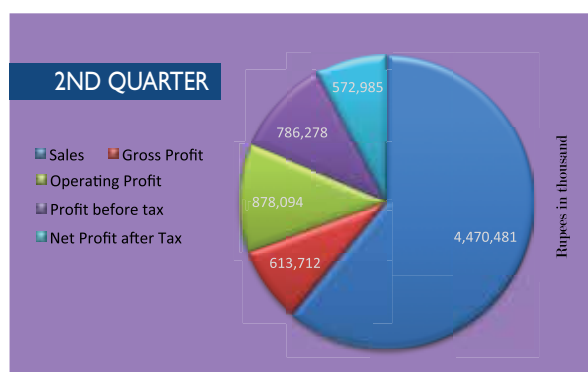
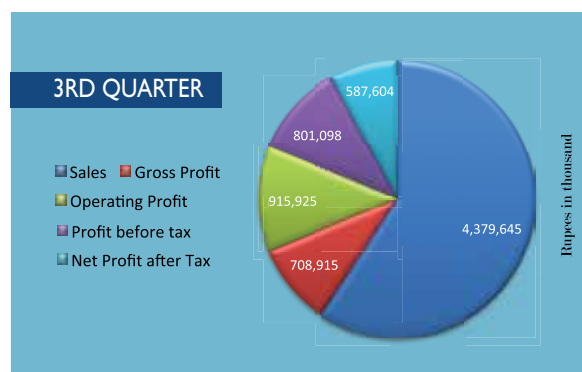
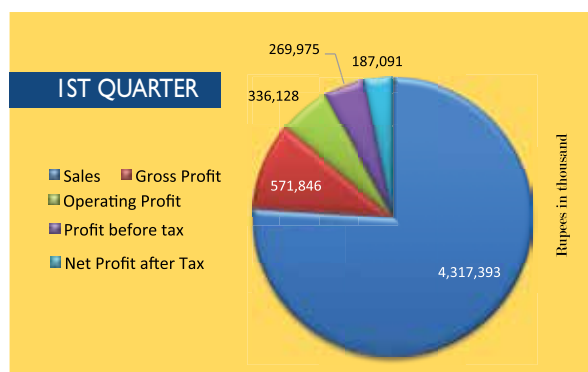
FOR THE YEAR ENDED JUNE 30, 2018

	2018 (Rupees in thousand)	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	17,432,561	17,145,269
Cash paid to suppliers and employees	16,540,898	15,233,488
Cash generated from operations	891,663	1,911,781
Finance cost paid	(343,077)	(274,506)
Income tax paid	(160,757)	(471,668)
Net decrease in long term deposits	7,055	3,363
Net cash generated from operating activities	394,884	1,168,970
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment	(851,614)	(1,236,491)
Proceeds from sale of property, plant and equipment	19,529	47,251
Purchase of long term investments	(2,367,710)	(1,500,000)
Purchase of short term investments	(2,663,941)	(717,072)
Proceeds from sale of short term investments	2,646,341	1,860,779
Interest received	12,037	9,079
Dividends received	1,002,415	1,342,553
Net cash used in investing activities	(2,202,943)	(193,901)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	441,988	791,624
Repayment of long term financing	(272,328)	(163,380)
Repayment of liabilities against assets subject to finance lease	(20,717)	(26,075)
Proceeds from issue of right shares	1,010,571	-
Short term borrowings - net	1,447,518	(246,528)
Dividend paid	(792,003)	(1,404,787)
Net cash from / (used in) financing activities	1,815,029	(1,049,146)
Net increase / (decrease) in cash and cash equivalents	6,970	(74,077)
Cash and cash equivalents at the beginning of the year	154,935	229,012
Cash and cash equivalents at the end of the year	161,905	154,935

# RESULTS REPORTED IN INTERIM FINANCIAL STATEMENTS AND FINAL ACCOUNTS

Particulars	Interim Reports Results						Annual	
	3 Months Period Ended 30-09-2017		6 Months Period Ended 31-12-2017		9 Months Period Ended 31-03-2018		Full Year Ended 30-06-2018	
	Rupees '000	%	Rupees '000	%	Rupees '000	%	Rupees '000	%
Net Turnover	4,317,393		8,787,874		13,167,519		17,833,540	
Gross Profit	571,846	13.25%	1,185,558	13.49%	1,894,473	14.39%	2,477,752	13.89%
Operating Profit	336,128	7.79%	1,214,222	13.82%	2,130,147	16.18%	2,516,291	14.11%
Net Profit before tax	269,975	6.25%	1,056,253	12.02%	1,857,351	14.11%	2,154,091	12.08%
Net Profit after tax	187,091	4.33%	760,076	8.65%	1,347,680	10.23%	1,664,322	9.33%
Equity	14,130,478		15,296,408		15,489,300		15,820,626	
Current ratio (in time)	1.05		0.92		0.92		0.93	

## GRAPHICAL PRESENTATION



## ANALYSIS OF VARIATION IN RESULTS REPORTED IN INTERIM FINANCIAL STATEMENTS WITH THE FINAL ACCOUNTS

### 3 Months Ended 30 September 2017

Gross profit was 13.25% as compared with annual GP of 13.89% due to slight drop in selling margins during 1st quarter of this financial year.

Operating profit was 7.79% as compared with annual operating profit of 14.11% due to receipt of dividend income from the subsidiary Company during 2nd and 3rd quarters of the financial year.

Net profit before tax was 6.25% as compared with annual net profit before tax of 12.08% due to aforementioned reasons.

Shareholders' equity was Rs 14,130 million as compared with annual equity of Rs 15,821 million due to the issuance of right shares, operating profits and dividend income in the following quarters of the financial year.

Current ratio was 1.05 times as compared with annual current ratio of 0.93 times due to lesser borrowing in first quarter which increased afterward for subscribing right shares and buying of stock in subsequent quarters.

### 6 Months Ended 31 December 2017

Gross Profit was 13.49% as compared with annual GP of 13.89% due to better profit margins in first half of Operating profit for the first half year was 13.82% as compared with annual operating profit of 14.11% due to dividend income from subsidiary Company in 2nd quarter.

Net profit before tax was 12.02% as compared with annual net profit before tax of 12.08% due to aforementioned reasons.

Shareholders' equity was Rs 15,296 million as compared with annual equity of Rs 15,821 million due to the issuance of right shares, operating profits and dividend income in the following quarters of the financial year.

Current ratio almost remained same.

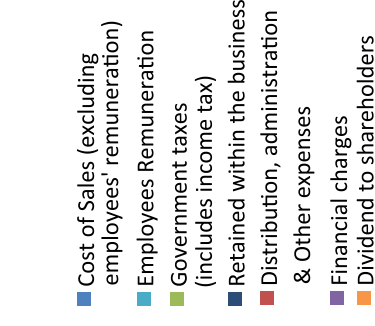
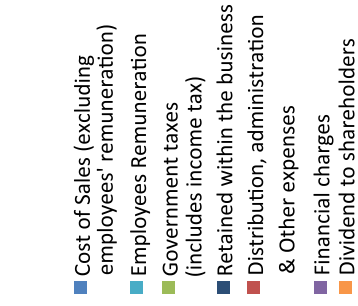
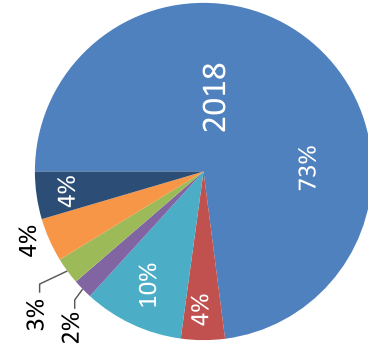
### 9 Months Ended 31 March 2018

Gross profit was 14.39% as compared with annual GP of 13.89% due to better utilizations & selling margins in 2nd and 3rd quarters as compared to the 1st and 4th quarters of the financial year. Hence, accumulated GP of nine month's remained better as compared with annual.

Operating profit for the first 9 months was 16.18% as compared with annual operating profit of 14.11% due to dividend income from subsidiary Company in 3rd quarter. the year.

# VALUE ADDED AND HOW DISTRIBUTED

	2018		2017		2016		2015		2014		2013	
	Rs "000"	% age	Rs "000"	% age	Rs "000"	% age	Rs "000"	% age	Rs "000"	% age	Rs "000"	% age
<b>Wealth Generated</b>												
Net Sales	17,833,540	93.78%	17,404,708	90.98%	16,088,302	93.78%	15,776,611	92.30%	15,302,242	94.61%	14,250,439	99.63%
Other operating income	1,183,527	6.22%	1,725,445	9.02%	1,067,529	6.22%	1,315,992	7.70%	871,815	5.39%	52,455	0.37%
	<b>19,017,067</b>	<b>100.00%</b>	<b>19,130,153</b>	<b>100.00%</b>	<b>17,155,831</b>	<b>100.00%</b>	<b>17,092,603</b>	<b>100.00%</b>	<b>16,174,057</b>	<b>100.00%</b>	<b>14,302,894</b>	<b>100.00%</b>
<b>Distribution of Wealth</b>												
Cost of Sales (excluding employees' remuneration)	13,874,754	72.96%	13,365,225	69.86%	11,716,169	68.29%	11,938,725	69.85%	12,344,449	76.32%	11,255,864	78.70%
Distribution, administration & Other expenses	798,627	4.20%	821,843	4.30%	869,714	5.07%	834,508	4.88%	735,069	4.54%	584,383	4.09%
Employees Remuneration	1,827,395	9.61%	1,772,981	9.27%	1,604,413	9.35%	1,422,147	8.32%	1,240,563	7.67%	1,023,669	7.16%
Financial charges	362,200	1.90%	267,593	1.40%	337,357	1.97%	490,917	2.87%	565,384	3.50%	640,543	4.48%
Government taxes (includes income tax)	489,769	2.58%	550,732	2.88%	495,963	2.89%	319,473	1.87%	118,940	0.74%	313,903	2.19%
Dividend to shareholders	797,654	4.19%	1,411,775	7.38%	1,350,393	7.87%	245,526	1.44%	-	0.00%	-	0.00%
Retained within the business	866,668	4.56%	940,004	4.91%	781,822	4.56%	1,841,307	10.77%	1,169,652	7.23%	484,532	3.39%
	<b>19,017,067</b>	<b>100.00%</b>	<b>19,130,153</b>	<b>100.00%</b>	<b>17,155,831</b>	<b>100.00%</b>	<b>17,092,603</b>	<b>100.00%</b>	<b>16,174,057</b>	<b>100.00%</b>	<b>14,302,894</b>	<b>100.00%</b>





# HORIZONTAL ANALYSIS OF FINANCIAL STATEMENT

	2018	Change 18 vs 17	2017	Change 17 vs 16	2016	Change 16 vs 15	2015	Change 15 vs 14	2014	Change 14 vs 13	2013	Changes 13 vs 12
	Rs "000"	%	Rs "000"	%	Rs "000"	%	Rs "000"	%	Rs "000"	%	Rs "000"	%
<b>Balance Sheet</b>												
Total Equity	15,820,626	13.63	13,922,796	7.43	12,959,673	10.92	11,684,053	18.71	9,842,746	13.49	8,673,094	92.11
Total non-current liabilities	1,850,676	4.20	1,776,007	47.37	1,205,135	62.03	743,794	81.24	410,396	5.36	389,507	(42.70)
Total current liabilities	7,200,654	42.70	5,046,039	1.10	4,990,909	(3.76)	5,185,753	(11.64)	5,868,566	(6.22)	6,257,996	(1.13)
<b>Total equity and liabilities</b>	<b>24,871,956</b>	<b>19.89</b>	<b>20,744,842</b>	<b>8.30</b>	<b>19,155,717</b>	<b>8.76</b>	<b>17,613,600</b>	<b>9.25</b>	<b>16,121,708</b>	<b>5.23</b>	<b>15,320,597</b>	<b>0.81</b>
<b>Total non-current assets</b>	<b>18,155,891</b>	<b>17.53</b>	<b>15,447,434</b>	<b>17.40</b>	<b>13,158,134</b>	<b>7.19</b>	<b>12,275,578</b>	<b>14.06</b>	<b>10,762,190</b>	<b>(1.99)</b>	<b>10,981,023</b>	<b>(1.92)</b>
<b>Total current assets</b>	<b>6,716,065</b>	<b>26.78</b>	<b>5,297,408</b>	<b>(11.67)</b>	<b>5,997,583</b>	<b>12.36</b>	<b>5,338,022</b>	<b>(0.40)</b>	<b>5,359,518</b>	<b>23.50</b>	<b>4,339,574</b>	<b>8.43</b>
<b>Total assets</b>	<b>24,871,956</b>	<b>19.89</b>	<b>20,744,842</b>	<b>8.30</b>	<b>19,155,717</b>	<b>8.76</b>	<b>17,613,600</b>	<b>9.25</b>	<b>16,121,708</b>	<b>5.23</b>	<b>15,320,597</b>	<b>0.81</b>
<b>Profit and Loss Account</b>												
Net sales	17,833,540	2.46	17,404,708	8.18	16,088,302	1.98	15,776,611	3.10	15,302,242	7.38	14,250,439	27.84
Cost of sales	15,355,788	3.59	14,823,393	13.60	13,048,866	(0.64)	13,132,754	(1.96)	13,395,079	10.56	12,116,187	30.14
Gross profit	2,477,752	(4.01)	2,581,315	(15.07)	3,039,436	14.96	2,643,857	38.63	1,907,163	(10.64)	2,134,252	16.20
Selling and distribution expenses	495,766	(7.90)	538,294	(6.26)	574,226	(7.42)	620,281	8.14	573,592	30.78	438,598	8.96
Administrative expenses	494,532	7.35	460,681	14.85	401,099	9.36	366,754	16.01	316,152	22.35	258,398	22.84
Other operating expenses	154,690	12.35	137,681	(17.11)	166,105	119.74	75,591	114.39	35,258	(30.50)	50,733	(56.27)
Other operating income	1,183,527	(31.41)	1,725,445	61.63	1,067,529	(18.88)	1,315,992	50.95	871,815	1,562.02	52,455	(22.03)
Profit from operations	2,516,291	(20.62)	3,170,104	6.90	2,965,555	2.36	2,897,223	56.27	1,853,976	28.84	1,438,978	22.46
Finance cost	362,200	35.35	267,593	(20.68)	337,357	(31.28)	490,917	(13.17)	565,384	(11.73)	640,543	(26.44)
Profit/(Loss) before taxation	2,154,091	(25.79)	2,902,511	10.44	2,628,178	9.22	2,406,306	86.74	1,288,592	61.39	798,435	162.39
Provision for taxation	489,769	(11.07)	550,732	11.04	495,963	55.24	319,473	168.60	118,940	(62.11)	313,903	67.09
Profit / (Loss) after taxation	1,664,322	(29.23)	2,351,779	10.30	2,132,215	2.17	2,086,833	78.41	1,169,652	141.40	484,532	316.16



## COMMENTS ON THE 6 YEARS HORIZONTAL ANALYSIS OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### Balance Sheet

Equity component has been amplified by 82% from 2013 to 2018. Increase in shareholder's equity is primarily because of profitable operations of the Company.

Non-current assets of the Company have been increased by 18% in 2018 because of addition of 1MW solar power plant, new digital printing machine in home textile division and necessary balancing / modernization / replacement of plant & machinery in spinning, processing and home textile divisions.

Current assets of the Company are showing upward trend of 27% mainly because of increased stocks.

### Profit & Loss Account:

Company's sales are being increased by 25% since 2013.

Gross profit has been decreased by 4% from 2017 to 2018. Major components of such decrease are squeezed profit margins and increasing costs of input and other production overheads.

In 6 years, period from 2013 to 2018, Finance cost has been decreased by 43% which is because of repayment of long-term loans and decrease in WACC.



# VERTICAL ANALYSIS OF FINANCIAL STATEMENT

	2018	%	2017	%	2016	%	2015	%	2014	%	2013	%
.....Rupees in thousand.....												
<b>Balance Sheet</b>												
Total Equity	15,820,626	63.61	13,922,796	67.11	12,959,673	67.65	11,684,053	66.34	9,842,746	61.05	8,673,094	56.61
Total non-current liabilities	1,850,676	7.44	1,776,007	8.56	1,205,135	6.29	743,794	4.22	410,396	2.55	389,507	2.54
Total current liabilities	7,200,654	28.95	5,046,039	24.32	4,990,909	26.05	5,185,753	29.44	5,868,566	36.40	6,257,996	40.85
<b>Total equity and liabilities</b>	<b>24,871,956</b>	<b>100.00</b>	<b>20,744,842</b>	<b>100.00</b>	<b>19,155,717</b>	<b>100.00</b>	<b>17,613,600</b>	<b>100.00</b>	<b>16,121,708</b>	<b>100.00</b>	<b>15,320,597.00</b>	<b>100</b>
<b>Total non-current assets</b>	<b>18,155,891</b>	<b>73.00</b>	<b>15,447,434</b>	<b>74.46</b>	<b>13,158,134</b>	<b>68.69</b>	<b>12,275,578</b>	<b>69.69</b>	<b>10,762,190</b>	<b>66.76</b>	<b>10,981,023</b>	<b>71.67</b>
<b>Total current assets</b>	<b>6,716,065</b>	<b>27.00</b>	<b>5,297,408</b>	<b>25.54</b>	<b>5,997,583</b>	<b>31.31</b>	<b>5,338,022</b>	<b>30.31</b>	<b>5,359,518</b>	<b>33.24</b>	<b>4,339,574</b>	<b>28.33</b>
<b>Total assets</b>	<b>24,871,956</b>	<b>100.00</b>	<b>20,744,842</b>	<b>100.00</b>	<b>19,155,717</b>	<b>100.00</b>	<b>17,613,600</b>	<b>100.00</b>	<b>16,121,708</b>	<b>100.00</b>	<b>15,320,597</b>	<b>100.00</b>
<b>Profit and Loss Account</b>												
Net sales	17,833,540	100.00	17,404,708	100.00	16,088,302	100.00	15,776,611	100.00	15,302,242	100.00	14,250,439	100.00
Cost of sales	15,355,788	86.11	14,823,393	85.17	13,048,866	81.11	13,132,754	83.24	13,395,079	87.54	12,116,187	85.02
<b>Gross profit</b>	<b>2,477,752</b>	<b>13.89</b>	<b>2,581,315</b>	<b>14.83</b>	<b>3,039,436</b>	<b>18.89</b>	<b>2,643,857</b>	<b>16.76</b>	<b>1,907,163</b>	<b>12.46</b>	<b>2,134,252</b>	<b>14.98</b>
Selling and distribution expenses	495,766	2.78	538,294	3.09	574,226	3.57	620,281	3.93	573,592	3.75	438,598	3.08
Administrative expenses	494,532	2.77	460,681	2.65	401,099	2.49	366,754	2.32	316,152	2.07	258,398	1.81
Other operating expenses	154,690	0.87	137,681	0.79	166,105	1.03	75,591	0.48	35,258	0.23	50,733	0.36
Other operating income	1,183,527	6.64	1,725,445	9.91	1,067,529	6.64	1,315,992	8.34	871,815	5.70	52,455	0.37
<b>Profit from operations</b>	<b>2,516,291</b>	<b>14.11</b>	<b>3,170,104</b>	<b>18.21</b>	<b>2,965,535</b>	<b>18.43</b>	<b>2,897,223</b>	<b>18.36</b>	<b>1,853,976</b>	<b>12.12</b>	<b>1,438,978</b>	<b>10.10</b>
Finance cost	362,200	2.03	267,593	1.54	337,957	2.10	490,917	3.11	565,384	3.69	640,543	4.49
<b>Profit / (Loss) before taxation</b>	<b>2,154,091</b>	<b>12.08</b>	<b>2,902,511</b>	<b>16.68</b>	<b>2,628,178</b>	<b>16.34</b>	<b>2,406,306</b>	<b>15.25</b>	<b>1,288,592</b>	<b>8.42</b>	<b>798,435</b>	<b>5.60</b>
Provision for taxation	489,769	2.75	550,732	3.16	495,963	3.08	319,473	2.02	118,940	0.78	313,903	2.20
<b>Profit / (Loss) after taxation</b>	<b>1,664,322</b>	<b>9.33</b>	<b>2,351,779</b>	<b>13.51</b>	<b>2,132,215</b>	<b>13.25</b>	<b>2,086,833</b>	<b>13.23</b>	<b>1,169,652</b>	<b>7.64</b>	<b>484,532</b>	<b>3.40</b>



## COMMENTS ON VERTICAL ANALYSIS OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### Balance Sheet

Equity and total liabilities form 64% & 36% of balance sheet total as compared to 67% and 33% previous year, respectively. Equity component increased by 14% from previous year, because the Company has issued 16,941,308 right shares at Rs 60 per share at a premium of Rs 50 per share; and, increase in retained profits of Rs 867 million. A major factor for such tremendous increase is profitable operations of the Company and steering the financial resources of the Company with acute responsibility to enhance debt servicing to external sources of finance providers.

During current year, non- current liabilities are 7.44% of the balance sheet footing as compared to 8.56% for the preceding year. Current liabilities form 29% of balance sheet total as compared to 24% previous year, mainly because of increased short-term borrowings to purchase raw material stocks.

Non-current assets have been increased from Rs 15,447 Million in 2017 to Rs 18,156 Million in 2018. Such increase is due to capital expenditure for production facilities and long term investment in subsidiary company.

### Profit & Loss Account

Cost of sales has been increased from 85.17% in 2017 to 86.11% in 2018 due to increase in raw material cost & production overheads.

Finance cost has been increased by Rs 95 Million in 2018. This is mainly attributed to the financing that Company acquired to subscribe the right issue of subsidiary company.

Other operating income decreased by 31% mainly due to decrease in dividend from subsidiary company.

# KEY OPERATING AND FINANCIAL DATA

## Six Years Summary

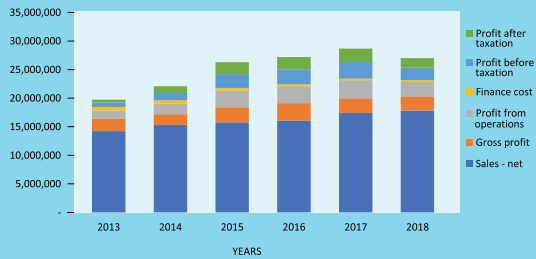
Particulars	2018	2017	2016	2015	2014	2013
<b>FINANCIAL PERFORMANCE (RS.000)</b>						
Net sale (Rs. 000)	17,833,540	17,404,708	16,088,302	15,776,611	15,302,242	14,250,439
Gross Profit	2,477,752	2,581,315	3,039,436	2,643,857	1,907,163	2,134,252
Operating profit	2,516,291	3,170,104	2,965,535	2,897,223	1,853,976	1,438,978
Profit / (Loss) before tax	2,154,091	2,902,511	2,628,178	2,406,306	1,288,592	798,435
Provision for income tax	489,769	550,732	495,963	319,473	118,940	313,903
Profit / (Loss) after tax	1,664,322	2,351,779	2,132,215	2,086,833	1,169,652	484,532
<b>FINANCIAL POSITION (RS.000)</b>						
Tangible fixed assets-net	8,578,713	8,222,022	7,437,640	6,565,198	5,919,751	5,959,112
Intangible assets	-	11,974	9,305	-	-	3,006
Investment & Other assets	9,577,178	7,213,438	5,711,189	5,710,380	4,842,439	5,018,905
	18,155,891	15,447,434	13,158,134	12,275,578	10,762,190	10,981,023
Current assets	6,716,065	5,297,408	5,997,583	5,338,022	5,359,518	4,339,574
Current liabilities	7,200,654	5,046,039	4,990,909	5,185,753	5,868,566	6,257,996
Net working capital	(484,589)	251,369	1,006,674	152,269	(509,048)	(1,918,422)
Capital employed	17,671,302	15,698,803	14,164,808	12,427,847	10,253,142	9,062,601
Less: Redeemable Capital, long term loan & other liabilities	1,850,676	1,776,007	1,205,135	743,794	410,396	389,507
Share holders Equity	15,820,626	13,922,796	12,959,673	11,684,053	9,842,746	8,673,094
Represented By:						
Share capital	2,992,964	2,823,551	2,823,551	2,455,262	2,455,262	2,455,262
Reserves & unappropriated profit	12,827,662	11,099,245	10,136,122	9,228,791	7,387,484	6,217,832
	15,820,626	13,922,796	12,959,673	11,684,053	9,842,746	8,673,094
<b>RATIOS:</b>						
<b>Profitability Ratio's:</b>						
Gross Profit to sales (%age)	13.89	14.83	18.89	16.76	12.46	14.98
Net Profit to sales (%age)	9.33	13.51	13.25	13.23	7.64	3.40
EBITDA (%age)	16.92	20.76	20.70	20.45	14.22	12.41
Operating leverage ratio	(10.50)	0.88	1.00	18.67	4.14	0.79
Return on equity (%age)	10.52	16.89	16.45	17.86	11.88	5.59
Return on capital employed (%age)	9.42	14.98	15.05	16.79	11.41	5.35
Profit before tax ratio (%age)	12.08	16.68	16.34	15.25	8.42	5.60
Effective tax rate (%age)	22.74	18.97	18.87	13.28	9.23	39.31
Cost / Revenue ratio (%age)	86.11	85.17	81.11	83.24	87.54	85.02
<b>Liquidity Ratios:</b>						
Current ratio	0.93	1.05	1.20	1.03	0.91	0.69
Acid test ratio	0.50	0.54	0.66	0.56	0.52	0.35
Cash to current liabilities	0.02	0.03	0.05	0.02	0.02	0.05
Cash flow from operations to sales %	2.21	6.73	6.23	8.31	1.49	4.30
<b>Activity / Turnover Ratios:</b>						
Inventory turn over	6.70	7.04	6.23	6.78	7.33	7.35
No. of days in Inventory	54	52	59	54	50	50
Debtors turn over ratio	11.90	14.89	14.83	15.52	15.53	13.88
No. of days in receiveables	31	25	25	24	23	26
Creditors turnover ratio	9.26	10.39	9.47	10.23	11.25	10.05
No. of days in creditors	39	35	39	36	32	36
Operating cycle	46	41	45	42	41	40
Total assets turn over / return on investment ratio	0.78	0.87	0.88	0.94	0.97	0.93
Fixed assets turn over ratio	1.75	1.81	1.83	1.97	1.99	1.83



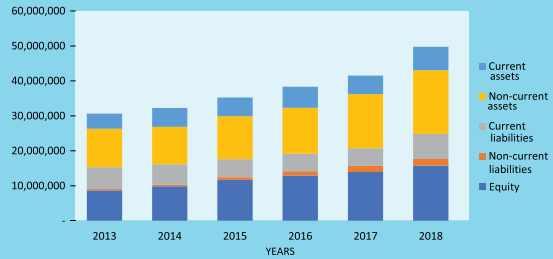
Particulars	2018	2017	2016	2015	2014	2013
<b>Investment / Market Ratio's:</b>						
Earning per share - Basic - (Rupees)	5.64	8.25	7.48	7.32	4.10	1.70
Earning per share - Diluted - (Rupees)	5.64	8.25	7.48	7.32	4.10	1.70
Price earning ratio	9.75	12.75	10.70	8.88	5.79	9.89
Price to book ratio	54.99 : 52.86	105.13 : 49.31	80.03 : 45.90	64.96 : 47.59	23.74 : 40.09	16.8 : 35.32
Dividend yield ratio	28%	50%	40%	10%	-	-
Dividend payout ratio (%age)	48.76	60.63	53.50	13.67	-	-
Dividend cover ratio - (Times)	2.05	1.65	1.87	7.32	-	-
Cash dividend per share - (Rupees)	2.75	5	4	1	-	-
Stock dividend per share	-	-	15%	-	-	-
Breakup value per share - (Rupees):						
- without revaluation surplus	40.02	35.77	32.44	32.62	25.13	20.36
- with revaluation surplus	52.86	49.31	45.90	47.59	40.09	35.32
- with revaluation surplus and investments at fair value	95.83	158.50	145.35	129.61	65.31	52.50
Market value per share at the end of the year - (Rupees)	54.99	105.13	80.03	64.96	23.74	16.80
Share Price - High during the year - (Rupees)	106.00	128.50	82.34	68.28	30.70	19.5
Share Price - Low during the year - (Rupees)	54.99	78.95	60.94	21.68	16.80	3.7
Earning assets to total assets ratio (%age)	72.8	74.19	68.38	69.35	66.47	71.41
<b>Capital Structure Ratios:</b>						
Financial leverage ratio	0.57	0.49	0.48	0.51	0.64	0.77
Weighted average cost of debt (%age)	4.94	4.16	5.35	9.87	11.11	11.35
Debt to equity ratio (as per book)	10 : 90	10 : 90	7 : 93	4 : 96	7 : 93	11 : 89
Debt to equity ratio (as per market value)	9 : 91	5 : 95	4 : 96	3 : 97	3 : 97	11 : 89
Interest cover ratio	6.95	11.85	8.79	5.90	3.28	2.25
Average operating working capital to sales ratio	0.22	0.20	0.20	0.19	0.19	0.17
Net borrowing to EBITDA ratio	2.05	1.28	1.25	1.23	2.13	2.61
<b>SUMMARY OF CASH FLOWS</b>						
Net cash flow from operating activities	394,884	1,171,639	1,002,347	1,310,771	228,105	612,206
Net cash flow from investing activities	(2,202,943)	(196,570)	(247,653)	(314,592)	(228,826)	(99,537)
Net cash flow from financing activities	1,815,029	(1,049,146)	(640,497)	(982,301)	(219,194)	(577,320)
Net change in cash and cash equivalents	6,970	(74,077)	114,197	13,878	(219,915)	(64,651)
<b>QUANTITATIVE DATA</b>						
<b>Yarn (Kgs "000") :</b>						
<b>Production (cont. into 20s)</b>						
KTM Division	41,331	39,574	38,473	38,270	32,415	33,038
KGM Division	36,603	34,816	33,299	30,524	25,726	30,243
	77,934	74,390	71,772	68,794	58,141	63,281
<b>Sales / Tran.for wvg.(actual count)</b>						
KTM Division	16,483	12,356	11,017	9,597	10,267	8,105
KGM Division	5,724	5,284	5,106	4,533	5,367	3,857
	22,207	17,640	16,123	14,130	15,634	11,962
<b>Cloth (Linear meters "000") :</b>						
<b>Processing (Rawalpindi Division)</b>						
Production	14,613	17,986	19,168	19,747	19,235	16,221
Sales	13,809	17,641	18,355	18,890	17,994	15,055
<b>Weaving (Raiwind Division)</b>						
Production	29,857	27,533	26,204	21,280	18,883	19,122
Sales	29,817	27,021	26,614	20,501	18,968	19,069

# GRAPHICAL PRESENTATION HORIZONTAL AND VERTICAL ANALYSIS

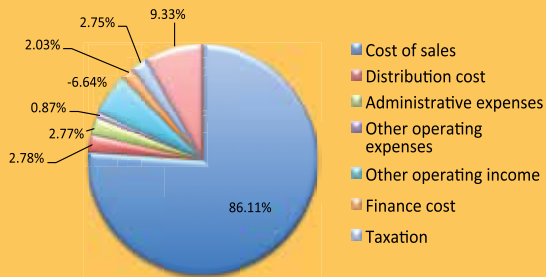
### Horizontal Analysis - Profit & Loss Account



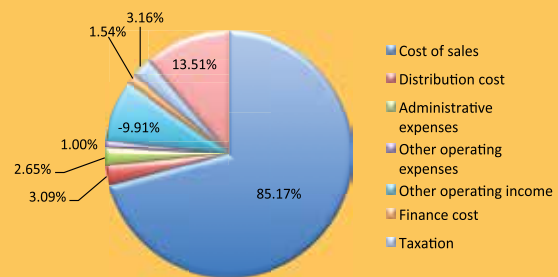
### Horizontal Analysis - Balance Sheet



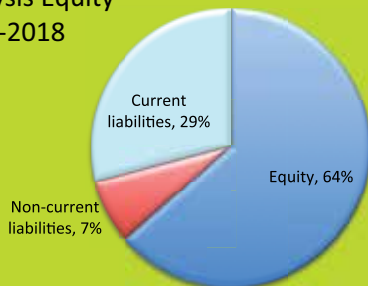
### Vertical Analysis P&L-2018



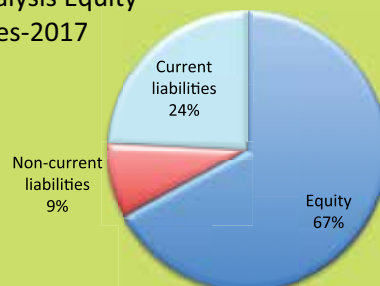
### Vertical Analysis P&L-2017



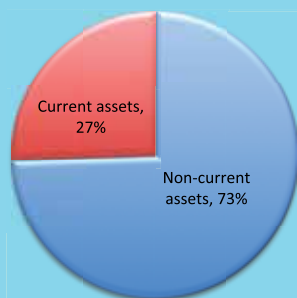
### Vertical Analysis Equity and liabilities-2018



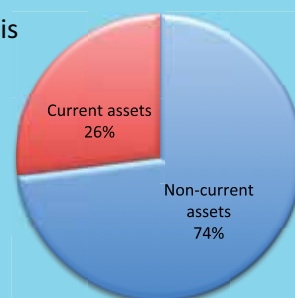
### Vertical Analysis Equity and liabilities-2017



### Vertical Analysis Assets-2018

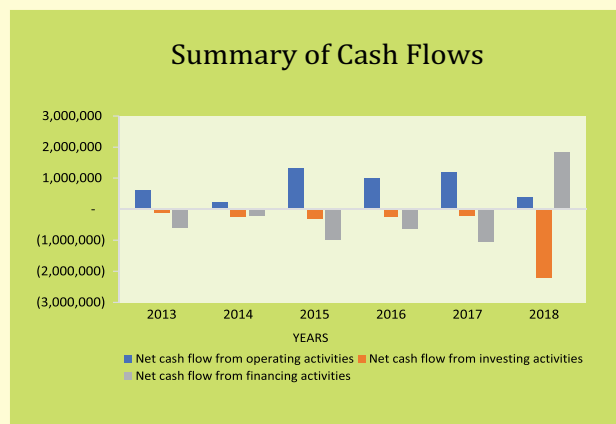
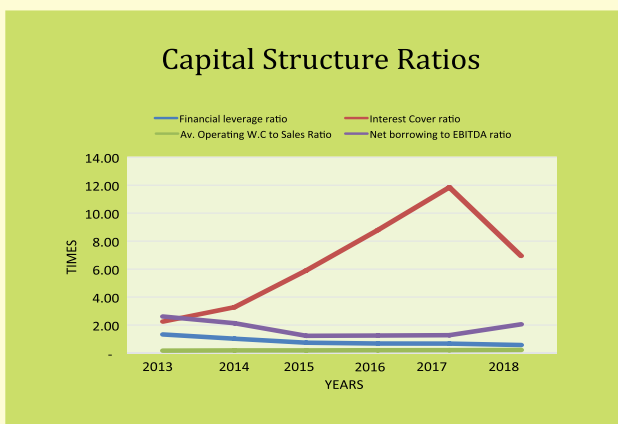
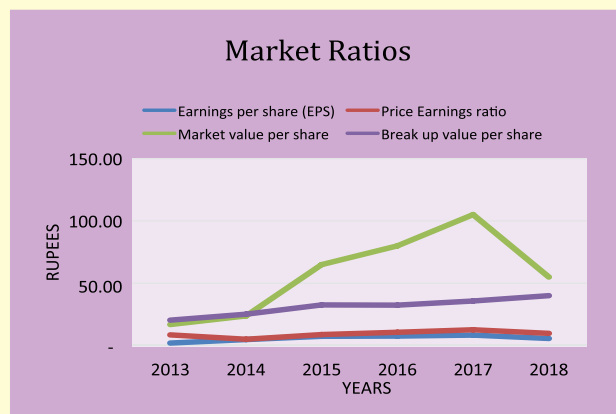
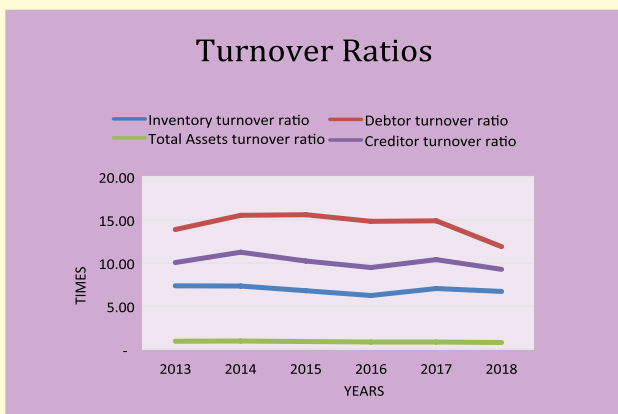
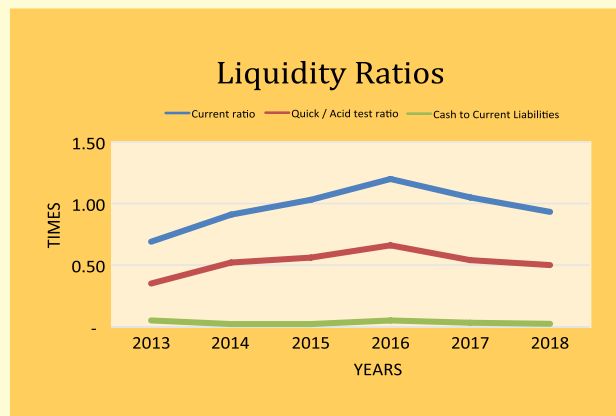


### Vertical Analysis Assets-2017





# GRAPHICAL PRESENTATION RATIO ANALYSIS

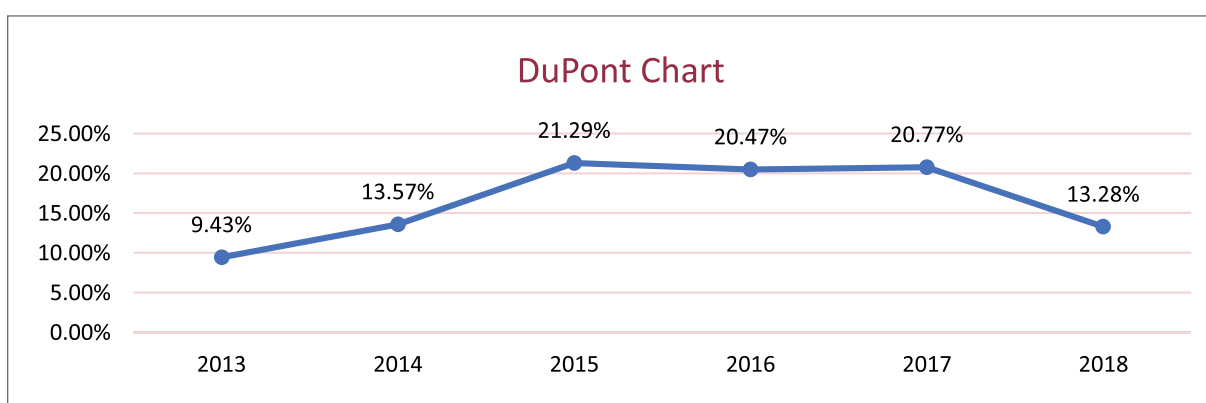


# DUPONT ANALYSIS

Year	Return on Equity (ROE) D=A*B*C	Profit Margin = Pre tax profit / Net Sales A	Total Assets Turnover = Net Sales / Assets B	Equity Multiplier = Avg. Assets / Avg. Equity C
2013	9.43%	0.06	0.93	1.81
2014	13.57%	0.08	0.95	1.70
2015	21.29%	0.15	0.90	1.57
2016	20.47%	0.16	0.84	1.49
2017	20.77%	0.17	0.84	1.48
2018	13.28%	0.12	0.72	1.53

## Comments:

- 1 DuPont equation indicates drop in ROE over the period. Key driving factors in decreased ROE are profit margin and total asset turnover.
- 2 Profit margin decreased because of decrease in other income. It includes mainly dividend from subsidiary company which decreased by 24% (Rs 310 million) from previous year.
- 3 During the year ended 30 Jun 2018, the Company subscribed the right-shares issued by subsidiary company which increased its investment in subsidiary by Rs 2.4 billion. The Company also invested Rs 0.35 billion in operating fixed assets for BMR of plant and machinery. This increase in average assets without any significant increase in sales resulted in the low asset turnover for the year.



## HOW THE INDICATORS AND PERFORMANCE MEASURES HAVE CHANGED OVER THE PERIOD

Kohinoor Textile Mills Limited has an established mechanism of performance appraisal. Key Performance Indicators (KPIs), for both financial and non-financial economic activities, are set for each objective or project and then its progress is monitored and evaluated by the management against those KPIs.

Financial Review section of this report enlists and elaborates major KPIs that management of the Company prefers to review on regular basis to access the 'Operational' and 'Financial' performance of the Company's economic affairs. Key variances indicated by the KPIs are also explained briefly to help understand the performance of business activities.

Since, there isn't any change in the Company's principal business activities and related industry from previous year, except some expansion in fabric digital print and solar power installation, the management believes the set KPIs sufficiently indicates the project performance and didn't required any change.

## METHODS AND ASSUMPTIONS USED IN COMPILING INDICATORS

A performance indicator represents parameters and factors that may cast an impact of decisive nature on a company's financial position, financial performance or liquidity position. Following are the key assumptions in compiling these indicators:

### Financial Position

- Appropriateness of capital mix in the company
- Proportion of financial leverage in debt equity mix
- Change in current ratio

### Financial performance

- Maintaining high local sales retention
- Monitoring key components of variable cost to be amongst top cost effective players
- Initiating and maintaining techniques for optimal fixed cost absorption and appropriate mix of operational leverage

### Liquidity Position

- Keeping an eye on funds used in / generated from operating, investing and financial cash flow activities
- Reviewing funds used in working capital management
- Effectively segregating cash and noncash items

All the indicators are devised in the light of these basic assumptions and are periodically reviewed and monitored. Furthermore, Company performance variance analysis from corresponding figures of comparative periods and from budgeted figures as comparability over time provides good basis of Corporate Reporting. These indicators are finally used to report financial information to all users of the financial statements in the form of annual financial statements.

## DEFINITIONS AND GLOSSARY OF TERMS

### Gross Profit ratio

The relationship of the gross profit made for a specified period and the sales or turnover achieved during that period.

### Net Profit Ratio

Net profit ratio is the ratio of net profit (after taxes) to net sales.

### Operating Profit Ratio

The Operating profit ratio indicates the ratio of company's profit before interest and taxes to net sales.

### Current Ratio

A company's current assets divided by its current liabilities. This ratio gives you a sense of a company's ability to meet short-term liabilities, and is a measure of financial strength in the short term. A ratio of 1 implies adequate current assets to cover current liabilities: the higher above 1, the better.

### Debt-Equity Ratio

The ratio of a company's liabilities to its equity. The higher the level of debt, the more important it is for a company to have positive earnings and steady cash flow. For Comparative purposes, debt-equity is most useful for companies within the same industry.

### Earnings Per Share (EPS)

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

### Profit Margin

Determined by dividing net income by net sales during a time period and is expressed as a percentage. Net profit margin is a measure of efficiency and the

higher the margin, the better. Trends in margin can be attributed to rising/falling production costs or rising / falling price of the goods sold.

### Return on Equity (ROE)

A percentage that indicates how efficiently common stockholders' invested money is being used. The percentage is the result of dividing net earnings by common stockholders' equity. The ROE is used for measuring growth and profitability. You can compare a company's ROE to the ROE of its industry to determine how a company is doing compared to its competition.

### Return on Investment (ROI)

Also Known as return on invested capital (ROIC). ROI is a measure of how well management has used the Company's resources. ROI is calculated by dividing earnings by total assets. It is a broader measure than return on equity (ROE) because assets include debt as well as equity. It is a useful to compare a company's ROI with others in the same industry.

### DuPont Analysis:

A type of analysis that examines a company's Return on Equity (ROE) by splitting it into three main components; profit margin, total asset turnover and equity multiplier. This analysis highlight the main driving factor of ROE and the factor which needs to be addressed to improve the ROE.

### Free Cash Flow (FCF)

FCF represents the cash a company can generate after required investment to maintain or expand its asset base. It depicts the cash left over after a company pays for its operating expenses and capital expenditures or CAPEX

### Economic Value Added (EVA)

EVA is an estimate of a company's economic profit, or the value created in excess of the required return of the Company's shareholders. EVA is the net operating profit less the equity cost of the Company's capital.



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\*Mobile apps are also available for download for android and ios devices

This disclosure is being added as per requirements of Securities and Exchange Commission of Pakistan vide SRO 924(1) / 2015, dated 09 September 2015.



Financial Statements  
for the Year Ended June 30, 2018

# INDEPENDENT AUDITORS' REPORT

To the members of KOHINOOR TEXTILE MILLS LIMITED

## Report on the Audit of the Financial Statements

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

Following are the key audit matters:

Sr. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Inventory existence and valuation:</b></p> <p>Inventory as at 30 June 2018 amounted to Rupees 3,106 million and represented a material position in the statement of financial position, break up of which is as follows:</p> <ul style="list-style-type: none"> <li>- Stores, spare parts and loose tools Rupees 531 million</li> <li>- Stock - in - trade Rupees 2,575 million</li> </ul> <p>The business is characterized by high volume serial production and the valuation and existence of inventories are significant to the business. Therefore, considered as one of the key audit matters.</p> <p>Inventories are stated at lower of cost and net realizable value. Cost is determined as per accounting policy disclosed in Note 2.8 to the financial statements.</p> <p>At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost.</p> <p>Useable stores, spares parts and loose tools are valued at moving average cost, raw materials are valued at annual average cost whereas, costing of work-in-process and finished goods is considered to carry more significant risk as the cost of material, labor and manufacturing overheads is allocated on the basis of complex formulae and involves management judgment.</p> <p>The determination of whether inventory will be realized for a value less than cost requires management to exercise judgement and apply assumptions. Management undertake the following procedures for determining the level of write down required:</p> <ul style="list-style-type: none"> <li>• Use inventory ageing reports together with historical trends to estimate the likely future saleability of slow moving and older inventory items.</li> <li>• Perform a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realizable value and a specific write down is recognized, if required.</li> </ul>	<p>Our procedures over existence and valuation of inventory included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• To test the quantity of inventories at all locations, we assessed the corresponding inventory observation instructions and participated in inventory counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management.</li> <li>• For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets.</li> <li>• We tested that the ageing report used by management correctly aged inventory items by agreeing a sample of aged inventory items to the last recorded invoice.</li> <li>• On a sample basis, we tested the net realizable value of inventory items to recent selling prices and re-performed the calculation of the inventory write down, if any.</li> <li>• We assessed the percentage write down applied to older inventory with reference to historic inventory write downs and recoveries on slow moving inventory.</li> <li>• In the context of our testing of the calculation, we analysed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs.</li> <li>• We also made enquiries of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.</li> </ul>





	<p>For further information on inventory, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Inventories note 2.8 to the financial statements.</li> <li>- Stores, spares and loose tools note 18 and Stock-in-trade note 19 to the financial statements.</li> </ul>	
2	<p><b>Capital expenditures</b></p> <p>The Company is investing significant amounts in their operations and there are a number of areas where management judgement impacts the carrying value of property, plant and equipment and its respective depreciation profile. These include among other the decision to capitalize or expense costs; and review of useful life of the assets including the impact of changes in the Company's strategy.</p> <p>We focused on this area since the amounts have a significant impact on the financial position of the Company and there is significant management judgment required that has significant impact on the reporting of the financial position for the Company. Therefore, considered as one of the key audit matters.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Property, plant, equipment and deprecation note 2.5 to the financial statements.</li> <li>- Property, plant and equipment note 13 to the financial statements.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We tested operating effectiveness of controls in place over the property, plant and equipment cycle including the controls over whether costs incurred on activities is capital or operating in nature.</li> <li>• We evaluated the appropriateness of capitalization policies and depreciation rates.</li> <li>• We performed tests of details on costs capitalized.</li> <li>• We verified the accuracy of management's calculation used for the impairment testing.</li> </ul>
3	<p><b>Preparation of financial statements under the Companies Act, 2017</b></p> <p>The Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act.</li> <li>• We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.</li> <li>• We verified on test basis the supporting evidences for the additional disclosures and ensured appropriateness of the disclosures made.</li> </ul>
	<p>In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements.</p> <p>The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p> <p>For further information, refer to note 2.1(b) to the financial statements.</p>	

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

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

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

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

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

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

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

Board of directors are responsible for overseeing the Company's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or



conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

#### Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Mubashar Mehmood.



RIAZ AHMAD & COMPANY  
Chartered Accountants

DATE: 18 September 2018

Islamabad

# STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	Note	2018	2017 Restated	2016 Restated
(Rupees in thousand)				
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized share capital				
370,000,000 (2017: 370,000,000) ordinary shares of Rupees 10 each				
		3,700,000	3,700,000	3,700,000
30,000,000 (2017: 30,000,000) preference shares of Rupees 10 each				
		300,000	300,000	300,000
		4,000,000	4,000,000	4,000,000
Issued, subscribed and paid-up share capital	3	2,992,964	2,823,551	2,823,551
<b>Reserves</b>				
<b>Capital reserves</b>				
Share premium				
		986,077	144,919	144,919
Surplus on revaluation of freehold land and investment properties				
		3,843,044	3,822,453	3,799,334
		4,829,121	3,967,372	3,944,253
<b>Revenue reserves</b>				
General reserve				
		1,450,491	1,450,491	1,450,491
Unappropriated profit				
		6,548,050	5,681,382	4,741,378
		7,998,541	7,131,873	6,191,869
<b>Total equity</b>		15,820,626	13,922,796	12,959,673
<b>LIABILITIES</b>				
Long term financing				
	5	1,335,099	1,295,884	765,027
Liabilities against assets subject to finance lease				
	6	-	-	22,370
Deferred income tax liability				
	7	515,577	480,123	417,738
		1,850,676	1,776,007	1,205,135
<b>CURRENT LIABILITIES</b>				
Trade and other payables				
	8	1,797,734	1,518,697	1,312,365
Accrued mark-up				
	9	63,351	44,228	51,141
Short term borrowings				
	10	4,635,384	3,187,866	3,434,394
Current portion of non-current liabilities				
	11	388,301	278,573	184,891
Unclaimed dividend				
		20,757	15,106	8,118
Taxation - net				
		295,127	1,569	-
		7,200,654	5,046,039	4,990,909
<b>TOTAL LIABILITIES</b>		9,051,330	6,822,046	6,196,044
<b>CONTINGENCIES AND COMMITMENTS</b>				
<b>TOTAL EQUITY AND LIABILITIES</b>	12	24,871,956	20,744,842	19,155,717

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

	Note	2018 (Rupees in thousand)	2017	2016
<b>ASSETS</b>				
<b>NON - CURRENT ASSETS</b>				
Property, plant and equipment	13	8,578,713	8,222,022	7,437,640
Intangible asset under development	14	-	11,974	9,305
Investment properties	15	1,792,755	1,789,670	1,784,058
Long term investments	16	7,734,799	5,367,089	3,867,089
Long term deposits	17	49,624	56,679	60,042
		18,155,891	15,447,434	13,158,134
<b>CURRENT ASSETS</b>				
Stores, spare parts and loose tools	18	530,567	552,564	518,242
Stock-in-trade	19	2,574,838	2,009,579	2,203,655
Trade debts	20	1,699,015	1,298,968	1,039,529
Advances	21	718,354	145,480	196,419
Security deposits and short term prepayments	22	9,564	34,946	27,517
Accrued interest		725	-	-
Other receivables	23	1,013,055	1,094,438	929,343
Short term investments	24	8,042	6,498	838,756
Taxation - net		-	-	15,110
Cash and bank balances	25	161,905	154,935	229,012
		6,716,065	5,297,408	5,997,583
<b>TOTAL ASSETS</b>		<b>24,871,956</b>	<b>20,744,842</b>	<b>19,155,717</b>

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
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# STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2018

	Note	2018 (Rupees in thousand)	2017
REVENUE	26	17,833,540	17,404,708
COST OF SALES	27	(15,355,788)	(14,823,393)
GROSS PROFIT		2,477,752	2,581,315
DISTRIBUTION COST	28	(495,766)	(538,294)
ADMINISTRATIVE EXPENSES	29	(494,532)	(460,681)
OTHER EXPENSES	30	(154,690)	(137,681)
		(1,144,988)	(1,136,656)
OTHER INCOME	31	1,332,764	1,444,659
		1,183,527	1,725,445
PROFIT FROM OPERATIONS		2,516,291	3,170,104
FINANCE COST	32	(362,200)	(267,593)
PROFIT BEFORE TAXATION		2,154,091	2,902,511
TAXATION	33	(489,769)	(550,732)
PROFIT AFTER TAXATION		1,664,322	2,351,779
		2018	2017 Restated
		-----Rupees-----	
EARNINGS PER SHARE - BASIC AND DILUTED	34	5.64	8.25

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



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# STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2018

	2018 (Rupees in thousand)	2017
PROFIT AFTER TAXATION	1,664,322	2,351,779
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss		
Gain on revaluation of freehold land	20,591	23,119
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year - net of tax	20,591	23,119
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,684,913</b>	<b>2,374,898</b>

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

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
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# STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	35	891,663	1,914,450
Finance cost paid		(343,077)	(274,506)
Income tax paid		(160,757)	(471,668)
Net decrease in long term deposits		7,055	3,363
<b>Net cash generated from operating activities</b>		<b>394,884</b>	<b>1,171,639</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(851,614)	(1,236,491)
Proceeds from sale of property, plant and equipment		19,529	47,251
Intangible assets under development		-	(2,669)
Long term investment made		(2,367,710)	(1,500,000)
Short term investments made		(2,663,941)	(717,072)
Proceeds from sale of short term investments		2,646,341	1,860,779
Interest received		12,037	9,079
Dividends received		1,002,415	1,342,553
<b>Net cash used in investing activities</b>		<b>(2,202,943)</b>	<b>(196,570)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		441,988	791,624
Repayment of long term financing		(272,328)	(163,380)
Proceeds from issue of right shares		1,010,571	-
Repayment of liabilities against assets subject to finance lease		(20,717)	(26,075)
Short term borrowings - net		1,447,518	(246,528)
Dividends paid		(792,003)	(1,404,787)
<b>Net cash from / (used in) financing activities</b>		<b>1,815,029</b>	<b>(1,049,146)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>6,970</b>	<b>(74,077)</b>
Cash and cash equivalents at the beginning of the year		154,935	229,012
<b>Cash and cash equivalents at the end of the year</b>		<b>161,905</b>	<b>154,935</b>

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



  
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DIRECTOR

  
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# STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

	Reserves							Total Equity
	Capital Reserves		Revenue Reserves			Sub - Total	Total reserves	
	Share premium	Surplus on revaluation of freehold land and investment properties	General reserves	Unappropriated profit	Sub - Total			
Balance as at 30 June 2016 - as previously reported	144,919	-	1,450,491	4,741,378	6,191,869	6,336,788	9,160,339	
Impact of restatement (Note 2.24)	-	3,799,334	-	-	-	3,799,334	3,799,334	
Balance as at 30 June 2016 - restated	144,919	3,799,334	1,450,491	4,741,378	6,191,869	10,136,122	12,959,673	
Transactions with owners:								
- final dividend for the year ended 30 June 2016 @ Rupees 3.00 per share	-	-	-	(847,065)	(847,065)	(847,065)	(847,065)	
- interim dividend for the year ended 30 June 2017 @ Rupees 2.00 per share	-	-	-	(564,710)	(564,710)	(564,710)	(564,710)	
Profit for the year	-	-	-	(1,411,775)	(1,411,775)	(1,411,775)	(1,411,775)	
Other comprehensive income for the year	-	23,119	-	2,351,779	2,351,779	2,351,779	2,351,779	
Total comprehensive income for the year	-	23,119	-	2,351,779	2,351,779	2,374,898	2,374,898	
Balance as at 30 June 2017 - restated	144,919	3,822,453	1,450,491	5,681,382	7,131,873	11,099,245	13,922,796	
Transactions with owners:								
- final dividend for the year ended 30 June 2017 @ Rupees 1.50 per share	-	-	-	(423,533)	(423,533)	(423,533)	(423,533)	
- interim dividend for the year ended 30 June 2018 @ Rupees 1.25 per share	-	-	-	(374,121)	(374,121)	(374,121)	(374,121)	
- issuance of right shares	169,413	841,158	-	-	841,158	841,158	1,010,571	
Profit for the year	169,413	841,158	-	(797,654)	(797,654)	43,504	212,917	
Other comprehensive income for the year	-	20,591	-	1,664,322	1,664,322	1,664,322	1,664,322	
Total comprehensive income for the year	-	20,591	-	1,664,322	1,664,322	20,591	20,591	
Balance as at 30 June 2018	2,992,964	986,077	3,843,044	4,829,121	7,998,541	12,827,662	15,820,626	

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 1. THE COMPANY AND ITS OPERATIONS

1.1 Kohinoor Textile Mills Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 42-Lawrence Road, Lahore. The principal activity of the Company is manufacturing of yarn and cloth, processing and stitching the cloth and trade of textile products. .

1.2 Geographical location and addresses of all business units are as follows:

Sr. No.	Manufacturing units and office	Address
Manufacturing units:		
1	Spinning and Home textile units.	Peshawar Road, Rawalpindi.
2	Spinning unit.	Gulyana Road, Gujar Khan, District Rawalpindi.
3	Weaving unit.	8 K.M. Manga Raiwind Road, District Kasur.
	Head office	42 Lawrence Road, Lahore.

1.3 Summary of significant transactions and events affecting the Company's financial position and performance

- a) The exchange rate of United States Dollar to Pak Rupees has increased from Pak Rupees 104.80 as at 30 June 2017 to Pak Rupees 121.40 as at 30 June 2018.
- b) For a detailed discussion about the Company's performance, please refer to the Directors' report.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

### 2.1 Basis of preparation

#### a) Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### b) Preparation of financial statements under the Companies Act, 2017

The Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its



Fourth Schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Company (refer note 13.1.5 and 15.3), management assessment of sufficiency of tax provision in the financial statements (refer note 33.2), change in threshold for identification of executives (refer note 36), additional disclosure requirements for related parties (refer note 37) etc.

#### c) Accounting convention

These financial statements have been prepared under the historical cost convention, except for certain financial instruments, investment properties and freehold land which are carried at their fair values. These financial statements represent separate financial statements of the Company. The consolidated financial statements of the Group are being issued separately.

#### d) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

##### Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

##### Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

##### Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

##### Provisions for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

##### Impairment of investment in subsidiary companies

In making an estimate of recoverable amount of the Company's investment in subsidiary companies, the management considers future cash flows.

e) **Amendments to published approved accounting standards that are effective in current year and are relevant to the Company**

The following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2017:

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments have resulted in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments have no significant impact on Company's financial statements.

On 8 December 2016, IASB issued Annual Improvements to IFRSs: 2014 – 2016 Cycle, incorporating amendments to three IFRSs more specifically in IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2017). IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified, or included in a disposal group that is classified, as held for sale (in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations). The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments have no impact on the Company's financial statements.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

f) **Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company**

Following standards, interpretations and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2018 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 July 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.



IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 28 (Amendments) 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2019). The IASB has clarified that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments are not likely to have significant impact on the Company's financial statements.

IAS 40 (Amendments), 'Investment Property' (effective for annual periods beginning on or after 01 January 2018). The amendments clarify that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have a significant impact on the Company's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the

item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

On 8 December 2016, IASB issued Annual Improvements to IFRSs: 2014 – 2016 Cycle, incorporating amendments to three IFRSs more specifically in IAS 28. These amendments are effective for annual periods beginning on or after 01 January 2018. These amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use statement of comprehensive income



and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

g) **Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company**

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2018 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 **Employee benefit**

The Company operates an approved funded provident fund scheme covering all permanent employees. Equal monthly contributions are made both by the Company and employees at the rate of 8.33 percent of basic salary and cost of living allowance to the fund. The Company's contributions to the fund are charged to statement of profit or loss.

2.3 **Taxation**

**Current**

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

**Deferred**

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.4 **Provisions**

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

## 2.5 Property, plant, equipment and depreciation

### Owned

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection/construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Freehold land is stated at revalued amount less any identified impairment loss. Capital work-in-progress is stated at cost less any recognised impairment loss.

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

Increases in the carrying amounts arising on revaluation of freehold land are recognized, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss.

### Leased

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to statement of profit or loss over the lease term.

Depreciation of assets subject to finance lease is recognised in the same manner as for owned assets. Depreciation of the leased assets is charged to statement of profit or loss.

### Depreciation

Depreciation on property, plant and equipment is charged to statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the asset over their estimated useful lives at the rates given in Note 13.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. The residual values and useful lives of assets are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.





## De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of profit or loss in the year the asset is de-recognized.

## 2.6 Investment properties

Land and buildings held for capital appreciation or to earn rental income are classified as investment properties. Investment properties are carried at fair value which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The valuation of the properties is carried out with sufficient regularity.

Gain or loss arising from a change in the fair value of investment properties is recognised in the statement of profit or loss for the year in which it arises.

## 2.7 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for “investment at fair value through profit or loss” which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 ‘Financial Instruments: Recognition and Measurement’ to all investments, except investment in subsidiary companies, which are tested for impairment in accordance with the provisions of IAS 36 ‘Impairment of Assets’.

### a) Investment at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognised in statement of profit or loss.

### b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognised amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognised in statement of profit or loss when the investments are derecognised or impaired, as well as through the amortization process.

### c) Investment in subsidiaries

Investments in subsidiaries are stated at cost less impairment loss, if any, in accordance with the provisions of IAS 27 ‘Separate Financial Statements’.

#### d) Available-for-sale

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

##### Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the reporting date. Fair value of investments in open-end mutual funds is determined using redemption price.

##### Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 "Financial Instruments: Recognition and Measurement".

#### 2.8 Inventories

Inventories, except for stock in transit and waste stock / rags, are stated at lower of cost and net realizable value. Cost is determined as follows:

##### Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

##### Stock-in-trade

Cost of raw material, work-in-process and finished goods is determined as follows:

- |      |   |   |
|------|---|---|
| (i)  | For raw materials:                      | Annual average basis.   |
| (ii) | For work-in-process and finished goods: | Average manufacturing cost including a portion of production overheads. |

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock / rags are valued at net realizable value.

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

#### 2.9 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

#### 2.10 Borrowings

Borrowings are recognised initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.



### 2.11 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in statement of profit or loss.

### 2.12 Trade and other payables

Liabilities for trade and other amounts payable are initially recognised at fair value, which is normally the transaction cost.

### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

### 2.14 Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

### 2.15 Revenue recognition

Revenue from different sources is recognised as under:

- a) Revenue from local sales is recognised on dispatch of goods to customers while in case of export sales it is recognised on the date of bill of lading.
- b) Dividend on equity investments is recognised when right to receive the dividend is established.
- c) Profit on deposits with banks is recognised on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

### 2.16 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the statement of profit or loss.

### 2.17 Financial instruments

Financial instruments carried on the statement of financial position include investments, deposits, trade debts, advances, accrued interest, other receivables, cash and bank balances, long-term financing, liabilities against assets subject to finance lease, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which are initially measured at fair value.

Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to

benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and derecognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

## 2.18 Impairment

### a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

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 amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in statement of profit or loss except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

## 2.19 Derivative financial instruments

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

## 2.20 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibers), Weaving (Producing different quality of greige fabric using yarn) and Processing and Home Textile (Processing greige fabric for production of printed and dyed fabric and manufacturing of home textile articles).



Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

#### 2.21 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognised in the period in which these are approved by the Board of Directors.

#### 2.22 Off setting

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

#### 2.23 Government grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

#### 2.24 Change in accounting policies

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

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

##### Freehold land

Increases in the carrying amounts arising on revaluation of freehold land are recognized, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss.

##### Investment properties

Surplus on revaluation of investment properties has now been included in shareholders equity.

These changes in accounting policies have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarized below:

	30-Jun-17			30-Jun-16		
	As previously reported	As re-stated	Restatement	As previously reported	As re-stated	Restatement
(Rupees in thousand)						
<b>Effect on statement of financial position</b>						
Surplus on revaluation of Land and investment property	3,822,453	-	(3,822,453)	3,799,334	-	(3,799,334)
Capital reserve	-	3,822,453	3,822,453	-	3,799,334	3,799,334
<b>Effect on statement of changes in equity</b>						
Surplus on revaluation of Land and investment property	-	3,822,453	3,822,453	-	3,799,334	3,799,334

For the year ended 30 June 2017		
As previously reported	As re-stated	Restatement
(Rupees in thousand)		

**Effect on statement of comprehensive income**

Surplus on revaluation of Land and investment property	-	23,119	23,119
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There was no cash flow impact as a result of the retrospective application of change in accounting policy.

### 3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2018 (Number of Shares)	2017		2018 (Rupees in thousand)	2017
1,596,672	1,596,672	Ordinary shares of Rupees 10 each allotted on reorganization of Kohinoor Industries Limited	15,967	15,967
26,156,000	26,156,000	Ordinary shares allotted under scheme of arrangement of merger of Part II of Maple Leaf Electric Company Limited	261,560	261,560
26,858,897	26,858,897	Ordinary shares allotted under scheme of arrangement of merger of Kohinoor Raiwind Mills Limited and Kohinoor Gujar Khan Mills Limited	268,589	268,589
75,502,560	75,502,560	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	755,025	755,025
169,182,327	152,241,019	Ordinary shares of Rupees 10 each issued as fully paid in cash	1,691,823	1,522,410
<u>299,296,456</u>	<u>282,355,148</u>		<u>2,992,964</u>	<u>2,823,551</u>

- 3.1 During the year ended 30 June 2018, the Company has issued 16,941,308 right shares at Rupees 60 per share at a premium of Rupees 50 per share. The Company utilised the proceeds to finance the subscription of 12.50% right shares of Maple Leaf Cement Factory Limited, a subsidiary company.



	Note	2018 (Rupees in thousand)	2017
<b>4. RESERVES</b>			
Composition of reserves is as follows:			
<b>Capital reserves</b>			
Share premium	4.1	986,077	144,919
<b>Surplus on revaluation of freehold land and investment properties:</b>			
<b>Freehold land</b>			
As at 01 July		2,558,861	2,535,742
Increase due to revaluation to fair value	13.1	20,591	23,119
As at 30 June		2,579,452	2,558,861
<b>Investment properties</b>			
		1,263,592	1,263,592
		3,843,044	3,822,453
		4,829,121	3,967,372
<b>Revenue reserves</b>			
General reserve		1,450,491	1,450,491
Unappropriated profit		6,548,050	5,681,382
		7,998,541	7,131,873
		12,827,662	11,099,245

4.1 This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

	Note	2018 (Rupees in thousand)	2017
<b>5. LONG TERM FINANCING</b>			
From banking companies and other financial institutions - secured			
Long term loans	5.1	1,723,400	1,553,740
Less: Current portion shown under current liabilities	11	388,301	257,856
		1,335,099	1,295,884

LENDER	2018	2017	TOTAL FACILITY	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
.....Rupees in thousand.....								
5.1 Long term loans								
Askari Bank Limited	75,000	125,000	150,000	3 Month KIBOR + 1.50%	Twelve equal quarterly installments commenced from 28 February 2017 and ending on 30 November 2019.	Quarterly	Quarterly	First pari passu hypothecation charge of Rupees 200 million on all present and future fixed assets (excluding land and building) of Raiwind Division and personal guarantees of the sponsor directors.
The Bank of Punjab	426,380	557,262	600,000	SBP LTFF rate + 2.50%	Sixteen equal quarterly installments commenced from 09 September 2016 and ending on 09 November 2021.	-	Quarterly	First pari passu mortgage charge amounting to Rupees 934 million (inclusive of 25% margin) on the Company's land measuring 43 Acres 07 Kanals and 12 Marlas situated at Peshawar Road, Rawalpindi.
The Bank of Punjab (Note 5.2)	142,605	-	400,000	SBP LTFF rate + 1%	Thirty six equal quarterly installments after expiry of grace period of one year for every tranche from date of disbursement.	-	Quarterly	First pari passu charge of Rupees 534 million (inclusive of 25% margin) over fixed assets (plant and machinery) of the Company.
MCB Bank Limited (Formerly NIB Bank Limited)	184,875	237,647	350,000	SBP LTFF rate + 2.5%	Twenty four equal quarterly installments after expiry of grace period of one year commenced from 17 November 2015 and ending on 17 August 2021.	-	Quarterly	First pari passu charge over fixed assets amounting to Rupees 467 million of Raiwind Division and personal guarantees of the sponsor directors.
National Bank of Pakistan	417,989	179,704	500,000	SBP LTFF rate + 1.25%	Twelve equal half yearly installments after expiry of grace period of one and a half year commenced from 30 June 2018 and ending on 08 June 2024.	-	Half yearly	First pari passu charge over fixed assets of the Company (plant and machinery) amounting to Rupees 667 million.
PAIR Investment Company Limited	209,859	171,746	300,000	SBP LTFF rate + 1.5%	Twenty four equal quarterly installments after expiry of grace period of sixteen months commencing from 17 July 2018 and ending on 12 April 2024.	-	Quarterly	First pari passu charge over fixed assets (excluding land and building) amounting to Rupees 400 million of Rawalpindi and Gujjar Khan Divisions and personal guarantees of the sponsor directors.
Askari Bank Limited	266,692	282,381	350,000	SBP LTFF rate + 1.25%	Thirty six equal quarterly installments commenced from 28 January 2018 and ending 31 October 2026.	-	Quarterly	First pari passu charge of Rupees 467 million on all present and future fixed assets (land, building, plant and machinery) of Raiwind Division.
	<u>1,723,400</u>	<u>1,553,740</u>	<u>2,650,000</u>					

5.2 As per financing document the Company is required to comply with certain conditions imposed by the provider of finance to make dividend.





	Note	2018 (Rupees in thousand)	2017
<b>6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Future minimum lease payments		-	20,966
Less: Un-amortized finance charges		-	249
Present value of future minimum lease payments		-	20,717
Less: Current portion shown under current liabilities	11	-	20,717
		-	-
<b>7. DEFERRED INCOME TAX LIABILITY</b>			
This comprises of following:			
Deferred tax liability on taxable temporary differences in respect of:			
Accelerated tax depreciation		517,229	479,866
Surplus on revaluation of investments		203	257
		517,432	480,123
Deferred tax asset on deductible temporary differences in respect of:			
Provision for doubtful debts		(271)	-
Provision for doubtful advances		(1,230)	-
Provision for slow moving against stores and spares		(354)	-
		(1,855)	-
		515,577	480,123
<b>7.1 Movement in deferred tax balances is as follows:</b>			
At beginning of the year		480,123	417,738
Recognized in statement of profit or loss:			
- accelerated tax depreciation on operating fixed assets		37,363	84,118
- surplus on revaluation of investments		(54)	(21,947)
- provision for doubtful debts		(271)	-
- provision for doubtful advances		(1,230)	-
- provision for slow moving against stores and spares		(354)	214
	33	35,454	62,385
		515,577	480,123
<b>8. TRADE AND OTHER PAYABLES</b>			
Creditors		859,849	734,594
Accrued liabilities		518,246	394,168
Advances from customers - unsecured		125,443	81,504
Workers' profit participation fund	8.1	183,593	192,514
Workers' welfare fund		41,479	29,172
Payable to subsidiary company - Maple Leaf Cement Factory Limited		-	32,179
Withholding tax payable		6,063	12,533
Payable to employees' provident fund trust		7,903	7,099
Others		55,158	34,934
		1,797,734	1,518,697

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
<b>8.1 Workers' profits participation fund</b>			
Balance as on 01 July		192,514	200,832
Interest for the period	32	27,132	14,958
Provision for the year	30	104,202	127,216
		323,848	343,006
Less: Payments during the year		(140,255)	(150,492)
		183,593	192,514

8.1.1 The Company retains workers' profits participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profits (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
<b>9. ACCRUED MARK-UP</b>			
Long term loans		18,853	19,363
Liabilities against assets subject to finance lease		-	20
Short term borrowings:			
From banking companies		34,793	24,845
From Maple Leaf Capital Limited - subsidiary company		9,705	-
		44,498	24,845
		63,351	44,228
<b>10. SHORT TERM BORROWINGS</b>			
From banking companies - secured			
Short term running finances	10.1 & 10.2	803,676	623,625
Other short term finances	10.1 & 10.3	825,178	147,241
State Bank of Pakistan (SBP) refinances	10.1 & 10.4	2,575,000	2,417,000
		4,203,854	3,187,866
From subsidiary company - unsecured			
Maple Leaf Capital Limited	10.5	431,530	-
		4,635,384	3,187,866

10.1 These finances are obtained from banking companies under mark up arrangements and are secured by pledge of raw material, charge on current assets of the Company including hypothecation of work-in-process, stores and spares, letters of credit, firm contracts and book debts. These form part of total credit facilities of Rupees 8,065 million (2017: Rupees 6,895 million).

- 10.2 The rates of mark-up range from 7.09% to 8.92% (2017: 1.90% to 7.87% ) per annum on balance outstanding.
- 10.3 The rates of mark-up range from 2.50 % to 8.26% (2017: 2.50 % to 8.55%) per annum on balance outstanding.
- 10.4 The rate of mark-up is 3.0% (2017: 3.0%) per annum on balance outstanding.
- 10.5 This represents unsecured loan obtained from Maple Leaf Capital Limited carrying mark-up @ 1% above the three months KIBOR and is repayable within one year from the date of disbursement. The maximum aggregate amount outstanding at the end of any month during the year was Rupees 1,250 million (2017: Rupees Nil). The Company has utilised the proceeds to finance the subscription of 12.50% right shares of Maple Leaf Cement Factory Limited, a subsidiary company.

	Note	2018 (Rupees in thousand)	2017
<b>11. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Long term financing	5	388,301	257,856
Liabilities against assets subject to finance lease	6	-	20,717
		<u>388,301</u>	<u>278,573</u>

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

a) The Company filed an appeal before Appellate Tribunal Inland Revenue, Lahore for tax year 2003 against order of Commissioner Inland Revenue (Appeals) (CIR(A)) dated 18 September 2008 passed under section 122 (5A) of the Income Tax Ordinance, 2001 wherein the order of the Assessing Officer creating demand of Rupees 20.780 million was upheld. In addition to above, another appeal for tax year 2003 was filed by the tax department before Appellate Tribunal Inland Revenue against the order of CIR (A) passed under section 221, through which order of the Assessing Officer regarding disallowance of depreciation expense amounting to Rupees 62.666 million and penalty levied amounting to Rupees 17.484 million had been annulled. No provision has been made in these financial statements as the Company is hopeful of favorable outcome of these cases.

b) The Company filed an appeal before Appellate Tribunal Inland Revenue, Lahore for tax year 2004. The loss for the tax year 2004 was assessed at Rupees 255.684 million reducing refund to Rupees 7.499 million vide order dated 22 May 2009. The matter was decided in favor of the Company. However, department filed an appeal in The Honorable Lahore High Court, Lahore against the decision. No provision has been made in these financial statements since the Company is confident about favorable outcome of the case.

c) Tax department filed an appeal before Appellate Tribunal Inland Revenue against the order of Commissioner Inland Revenue (Appeals) dated 13 May 2015, by which the demand amounting to Rupees 54.010 million created by assessing officer under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2009 was annulled. No provision has been made in these financial statements as the Company is hopeful of a favorable outcome.

d) Tax department filed an appeal before Appellate Tribunal Inland Revenue against the order of Commissioner Inland Revenue (Appeals) dated 06 September 2014, by which the demand amounting to Rupees 22.110 million created by assessing officer under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2010 was annulled. No provision has been made in these financial statements as the Company is hopeful of a favorable outcome.

e) The Company filed income tax return for Tax Year 2011 having tax loss amounting to Rupees 957.623 million and creating a refund of Rupees 107.808 million. An assessment dated 12 May 2017 under section 122(5A) of the Income Tax Ordinance, 2001 has been finalized by restricting loss to Rupees 435.435 million and reducing refund to Rupees Nil. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) which is pending for hearing.

f) The Company filed income tax return for Tax Year 2016 having taxable income amounting to Rupees 762.669 million and creating a refund of Rupees 30.721 million. An assessment under section 122(5A) of the Income Tax Ordinance, 2001 dated 31 May 2018 has been finalized and taxable income has been assessed at Rupees 1,167.832 million by creating demand of Rupees 231.109 million. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) which is pending for hearing.

g) The Company and the tax authorities filed appeals before different appellate authorities regarding sales tax and custom duty matters. Pending the outcome of appeals filed by the Company and tax authorities, no provision has been made in these financial statements which on the basis adopted by the authorities would amount to Rupees 87.996 million (2017: Rupees 87.996 million), since the Company has strong grounds against the assessments framed by the relevant authorities.

h) The Company filed recovery suits in Civil Courts amounting to Rupees 15.164 million (2017: Rupees 15.203 million) against various suppliers and customers for goods supplied by / to them. Pending the outcome of the cases, no provision has been made in these financial statements since the Company is confident about favorable outcome of the cases.

i) The Company filed suits before Civil Court, Rawalpindi and Lahore High Court, against demands raised by Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rupees 72.811 million (2017: Rupees 72.811 million). No provision has been made in these financial statements, since the Company is confident about favorable outcome.

j) The Company filed an appeal before Supreme Court of Pakistan against an order of Lahore High Court, Rawalpindi Bench on an appeal filed by supplier for non-payment by the Company. The Company has provided a guarantee of Rupees 4.254 million on the directions of Supreme Court of Pakistan. Appeal is pending adjudication and the Company expects a favorable outcome.

k) The Company challenged, before Honorable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(l)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honorable Lahore High Court has issued stay order in favor of the Company. Consequently, the Company has claimed input sales tax amounting to Rupees 131.010 million (2017: Rupees 62.376 million) paid on packing material in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal.



l) Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregate to Rupees 279.257 million (2017: Rupees 264.912 million).

#### 12.2 Commitments in respect of:

- a) Letters of credit for capital expenditure amounting to Rupees 111.231 million (2017: Rupees 55.454 million).
- b) Letters of credit other than for capital expenditure amounting to Rupees 156.753 million (2017: Rupees 245.281 million).
- c) Contracts for capital expenditure amounting to Rupees 6.661 million (2017: Rupees 52.575 million).
- d) Future contracts - shares in respect of which the settlement is outstanding amounting to Rupees 181.745 million (2017: Rupees Nil).

2018                      2017  
(Rupees in thousand)

### 13. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 13.1)		
- Owned assets	8,367,262	8,050,453
- Leased assets	-	58,681
Capital work in progress (Note 13.2)	211,451	112,888
	8,578,713	8,222,022

	Owned Assets										Leased Assets				
	Freehold Land	Office building	Factory and other Building	Residential and other building	Plant and machinery	Services and other equipment	Computer and IT installations	Furniture and fixture	Office equipment	Vehicles	Total	Plant and machinery	Vehicles	Total	
<b>At 30 June 2016</b>															
Cost / revalued amount	2,695,847	14,176	1,215,743	115,069	7,418,717	46,310	86,138	75,023	45,350	189,146	11,901,519	83,912	2,644	86,556	
Accumulated depreciation	-	(7,922)	(633,685)	(60,839)	(3,803,960)	(31,549)	(69,130)	(51,498)	(25,907)	(91,850)	(4,776,340)	(11,714)	(889)	(12,603)	
Net book value	2,695,847	6,254	582,058	54,230	3,614,757	14,761	17,008	23,525	19,443	97,296	7,125,179	72,198	1,755	73,953	
<b>Year ended 30 June 2016</b>															
Opening net book value	2,695,847	6,254	582,058	54,230	3,614,757	14,761	17,008	23,525	19,443	97,296	7,125,179	72,198	1,755	73,953	
Additions	-	847	184,640	1,101	1,101,839	1,690	23,175	3,050	1,072	44,697	1,362,111	-	-	-	
Revaluation surplus (Note 4)	23,119	-	-	-	-	-	-	-	-	-	23,119	-	-	-	
Assets transferred from lease assets to owned assets:															
Cost	-	-	-	-	9,471	-	-	-	-	2,644	12,115	(9,471)	(2,644)	(12,115)	
Accumulated depreciation	-	-	-	-	(2,316)	-	-	-	-	(1,055)	(3,371)	2,316	1,055	3,371	
Disposals:															
Cost	-	-	-	-	(82,973)	-	(793)	(586)	(124)	(21,795)	(106,271)	-	-	-	
Accumulated depreciation	-	-	-	-	60,346	-	396	462	96	12,295	73,595	-	-	-	
Depreciation charge	-	-	-	-	(22,627)	-	(397)	(124)	(28)	(9,500)	(32,676)	-	-	-	
Closing net book value	2,718,966	6,732	717,909	52,272	4,350,910	14,658	31,855	23,973	18,487	114,691	8,050,453	58,681	(166)	(6,528)	
<b>At 30 June 2017</b>															
Cost / revalued amount	2,718,966	15,023	1,400,383	116,170	8,447,054	48,000	108,520	77,487	46,298	214,692	13,192,593	74,441	-	74,441	
Accumulated depreciation	-	(8,291)	(682,474)	(63,898)	(4,096,144)	(33,342)	(76,665)	(53,514)	(27,811)	(100,001)	(5,142,140)	(15,760)	-	(15,760)	
Net book value	2,718,966	6,732	717,909	52,272	4,350,910	14,658	31,855	23,973	18,487	114,691	8,050,453	58,681	-	58,681	
<b>Year ended 30 June 2018</b>															
Opening net book value	2,718,966	6,732	717,909	52,272	4,350,910	14,658	31,855	23,973	18,487	114,691	8,050,453	58,681	-	58,681	
Additions	-	-	40,532	3,400	683,778	509	3,849	1,409	2,867	16,707	753,051	-	-	-	
Revaluation surplus (Note 4)	20,591	-	-	-	-	-	-	-	-	-	20,591	-	-	-	
Assets transferred from lease assets to owned assets:															
Cost	-	-	-	-	74,441	-	-	-	-	-	74,441	(74,441)	-	(74,441)	
Accumulated depreciation	-	-	-	-	(17,711)	-	-	-	-	-	(17,711)	17,711	-	17,711	
Disposals:															
Cost	-	-	-	-	56,730	-	-	-	-	-	56,730	(56,730)	-	(56,730)	
Accumulated depreciation	-	-	-	-	(36,095)	-	(1,005)	-	(188)	(12,449)	(49,737)	-	-	-	
Depreciation charge	-	-	-	-	27,667	-	688	-	107	6,362	34,824	-	-	-	
Closing net book value	2,739,557	6,374	703,454	52,717	4,676,790	13,646	25,784	22,955	19,298	106,687	8,367,262	(1,951)	-	(1,951)	
<b>At 30 June 2018</b>															
Cost / revalued amount	2,739,557	15,023	1,440,915	119,570	9,169,178	48,509	111,364	78,896	48,977	218,950	13,990,939	-	-	-	
Accumulated depreciation	-	(8,649)	(737,461)	(68,853)	(4,492,388)	(34,863)	(85,580)	(55,941)	(29,679)	(112,263)	(5,623,677)	-	-	-	
Net book value	2,739,557	6,374	703,454	52,717	4,676,790	13,646	25,784	22,955	19,298	106,687	8,367,262	-	-	-	
Depreciation rate (%)	-	5	5 - 10	5 - 10	10	10	30	10	10	20	10	10	20	-	20

13.1.1 Freehold land was revalued by an independent valuer Anderson Consulting (Private) Limited (Evaluators, Surveyors, Stock Inspectors, Architects & Engineers) as at 30 June 2018. Book value of land on cost basis is Rupees 160.105 million (2017: Rupees 160.105 million) as on 30 June 2018. Had there been no revaluation, the value of land would have been lower by Rupees 2,579.452 million (2017: Rupees 2,558.861 million). Forced sale value of land is Rupees 2,328.623 million (2017: Rupees 2,311.121 million).

13.1.2 Borrowing cost of Rupees 1.347 million (2017: Rupees 2.029 million) was capitalized during the year using the capitalization rates ranging from 4.50% to 8.00% (2017: 1.90% to 7.87%) per annum.

13.1.3 Detail of operating fixed assets, exceeding the book value of Rupees 500,000 disposed off during the year is as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of purchasers
------(Rupees in thousand)-----							
<b>Plant and Machinery</b>							
Boge compressor	1,803	1,121	682	565	(117)	Negotiation	Matco (Private) Limited, Islamabad
Boge compressor	1,803	1,131	672	565	(107)	Negotiation	Matco (Private) Limited, Islamabad
Autocone Winder	10,789	8,111	2,678	2,943	265	Negotiation	Gulf Worldwide Logistics, United Arab Emirates
Autocone Winder	11,608	8,113	3,495	2,943	(552)	Negotiation	Gulf Worldwide Logistics, United Arab Emirates
	26,003	18,476	7,527	7,016	(511)		
<b>Vehicles</b>							
Toyota Corolla	1,954	338	1,616	1,800	184	Negotiation	Mr. Liaquat Ali, Fazal Park, Lahore
Honda Civic	2,549	1,295	1,254	1,254	-	Negotiation	Maple Leaf Capital Limited, subsidiary company
Toyota Corolla	1,960	538	1,422	1,800	378	Negotiation	Mr. Samad Tanveer (employee), Lahore
Toyota Corolla	1,763	1,045	718	750	32	Negotiation	Mr. Shahid Rehman (employee), Lahore
	8,226	3,216	5,010	5,604	594		
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 500,000	15,508	13,132	2,376	6,909	4,533	Various	Various
	49,737	34,824	14,913	19,529	4,616		

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
13.1.4 Depreciation charged during the year has been allocated as follows:			
Cost of sales	27	463,099	405,546
Administrative expenses	29	37,502	37,006
		<u>500,601</u>	<u>442,552</u>

13.1.5 Particulars of immovable property (i.e land & building) are as follows:

Location	Usage of Immovable Property	Total Area (Acres)	Covered Area ("000" Sqr meters)
Peshawar Road, Rawalpindi	Manufacturing facilities	64.68	1,142.35
	Residential and offices	56.58	832.57
8 KM, Manga Raiwind Road, District Kasur	Manufacturing facilities	13.22	280.26
	Residential and offices	8.11	122.58
	Land	11.24	-
Gulyana Road, Gujar Khan, District Rawalpindi	Manufacturing facilities	13.18	279.62
	Residential and offices	23.96	177.69
	Land	13.54	-

	2018 (Rupees in thousand)	2017 (Rupees in thousand)
13.2 Capital work in progress		
Civil works and buildings	14,309	199
Plant and machinery	98,519	103,453
Advances for capital expenditure	29,067	6,899
Letters of credit	69,556	2,337
	<u>211,451</u>	<u>112,888</u>

#### 14. INTANGIBLE ASSET UNDER DEVELOPMENT

This represented advances given for implementation of Enterprise Resource Planning (ERP) system. This has been written off during the year as the management expected no future economic benefits from the use of ERP system.

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
15. INVESTMENT PROPERTIES			
Year ended 30 June			
Opening net book value		1,789,670	1,784,058
Fair value gain	31	3,085	5,612
Closing net book value		<u>1,792,755</u>	<u>1,789,670</u>

15.1 The fair value of investment properties comprising land situated at Lahore and Rawalpindi have been determined by an independent valuer Anderson Consulting (Private) Limited (Evaluators, Surveyors, Stock Inspectors, Architects & Engineers) as at 30 June 2018.

15.2 Forced sale value of these properties as at 30 June 2018 was Rupees 1,523.843 million (2017: Rupees 1,512.220 million).





15.3 Particulars of investment properties are as follows:

Description	Address	Total Area (Acres)
Land	Peshawar Road, Rawalpindi	43.95
Land	42, Lawrence Road, Lahore	4.95

Note	2018 (Rupees in thousand)	2017
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16. LONG TERM INVESTMENTS

Subsidiary companies

Maple Leaf Cement Factory Limited - Quoted	16.1	5,234,799	2,867,089
Maple Leaf Capital Limited - Un-quoted	16.2	2,500,000	2,500,000
		<u>7,734,799</u>	<u>5,367,089</u>

16.1 The Company holds 327,836,728 (2017: 291,410,425) ordinary shares of Rupees 10 each of its subsidiary company, Maple Leaf Cement Factory Limited. Equity held 55.22% (2017: 55.22%).

16.2 The Company holds 250,000,000 (2017: 250,000,000) ordinary shares of Rupees 10 each of its subsidiary company, Maple Leaf Capital Limited. Equity held 82.92% (2017: 82.92%).

16.3 Investments made in associated companies are in accordance with the requirements of the Companies Act, 2017.

Note	2018 (Rupees in thousand)	2017
------	------------------------------	------

17. LONG TERM DEPOSITS

Security deposits		49,695	63,851
Less: Current portion shown under current assets	22	(71)	(7,172)
		<u>49,624</u>	<u>56,679</u>

18. STORES, SPARE PARTS AND LOOSE TOOLS

Stores		353,323	352,846
Spare parts and loose tools		181,016	202,270
		<u>534,339</u>	<u>555,116</u>
Less: Provision against slow moving items	18.1	(3,772)	(2,552)
		<u>530,567</u>	<u>552,564</u>

18.1 Provision against slow moving items

As at 01 July		2,552	2,552
Add: Provision for the year	30	1,220	-
As at 30 June		<u>3,772</u>	<u>2,552</u>

	Note	2018 (Rupees in thousand)	2017
<b>19. STOCK-IN-TRADE</b>			
Raw materials	19.1	1,430,755	841,118
Work-in-process		597,872	575,961
Finished goods		546,211	592,500
		<u>2,574,838</u>	<u>2,009,579</u>

19.1 Raw materials include stock in transit of Rupees 270.613 million (2017: Rupees 91.508 million).

19.2 Stock in trade of Rupees 45.678 million (2017: Rupees 51.599 million) is being carried at net realizable value.

19.3 Stock in trade includes stock of Rupees 41.245 million (2017: Rupees 50.971 million) with external parties for processing.

	Note	2018 (Rupees in thousand)	2017
<b>20. TRADE DEBTS</b>			
<b>Considered good:</b>			
Secured (against letters of credit)		513,156	515,301
Unsecured		1,185,859	783,667
		<u>1,699,015</u>	<u>1,298,968</u>
<b>Considered doubtful</b>			
		932	-
		<u>1,699,947</u>	<u>1,298,968</u>
Provision for doubtful debts	20.1	932	-
		<u>1,699,015</u>	<u>1,298,968</u>
<b>20.1 Movement in provision for doubtful debts</b>			
As at 01 July		-	-
Add: Provision for the year	30	932	-
As at 30 June		932	-

20.2 As at 30 June 2018, trade debts of Rupees 1,226.847 million (2017: Rupees 779.935 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The aging analysis of these trade debts is as follows:

	2018 (Rupees in thousand)	2017
Up to 1 month	815,924	582,808
1 to 6 months	364,682	132,169
More than 6 months	46,241	64,958
	<u>1,226,847</u>	<u>779,935</u>



20.3 Disclosures in respect of outstanding export debtors along with type of arrangements are as follows:

Jurisdiction and relationship with the Company (related party or other)		2018				2017			
		Letters of credit	Cash against documents	Contracts	Total	Letters of credit	Cash against document	Contracts	Total
Jurisdiction	Relationship	----- (Rupees in thousand) -----							
America	Other	22,315	188,854	23,343	234,512	38,267	226,093	20,460	284,820
Asia	Other	1,176	666	-	1,842	44,403	-	-	44,403
Australia	Other	-	3,425	9,577	13,002	-	-	14,720	14,720
Europe	Other	209,691	75,696	14,689	300,076	177,171	176,932	15,922	370,025
		233,182	268,641	47,609	549,432	259,841	403,025	51,102	713,968

Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
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21. ADVANCES

Considered good:

Employees - interest free			
- Executives		74	1,577
- Other employees		1,809	6,001
		1,883	7,578
Advances to suppliers		180,706	105,647
Letters of credit		540,008	32,255
		722,597	145,480
Less: Provision for doubtful advances	30	4,243	-
		718,354	145,480

22. SECURITY DEPOSITS AND SHORT TERM PREPAYMENTS

Current portion of long term deposits	17	71	7,172
Short term prepayments		9,493	27,774
		9,564	34,946

23. OTHER RECEIVABLES

Considered good:

Sales tax refundable		453,877	780,911
Custom duty receivable		15,993	15,993
Mark up rate support receivable from financial institutions		3,633	3,633
Export rebate		74,863	95,045
Insurance claims		941	4,171
Duty draw back receivable		198,034	189,377
Due from subsidiary company - Maple Leaf Cement Factory Limited	23.1	259,192	-
Due from subsidiary company - Maple Leaf Capital Limited	23.2	694	-
Others		5,828	5,308
		1,013,055	1,094,438

23.1 This represents advance to Maple Leaf Cement Factory Limited carrying interest @ 1% above the average borrowing cost of the Company and is repayable / adjustable within one year from the date of disbursement. The maximum aggregate amount outstanding at the end of any month during the year was Rupees 290.00 million.

23.2 This represents receivable against sale of property, plant and equipment. The maximum aggregate amount outstanding at the end of any month during the year was Rupees 0.694 million.

## 24. SHORT TERM INVESTMENTS

2018			2017		
Carrying value	Unrealized gain / (loss)	Market value	Carrying value	Unrealized gain / (loss)	Market value

----- (Rupees in thousand) -----

### Investments at fair value through profit or loss

#### Shares in listed companies

Pakistan Reinsurance Company Limited 25,000 (2017: 25,000) fully paid ordinary shares of Rupees 10 each	1,220	(398)	822	757	463	1,220
Samin Textiles Limited 30,000 (2017: 30,000) fully paid ordinary shares of Rupees 10 each	206	(80)	126	216	(10)	206
D. S. Industries Limited 20,000 (2017: 20,000) fully paid ordinary shares of Rupees 10 each	77	15	92	56	21	77
Pervez Ahmed Securities Limited 25,000 (2017: 25,000) fully paid ordinary shares of Rupees 10 each	49	(25)	24	42	8	50
Bank AL Habib Limited 400 (2017: 400) fully paid ordinary shares of Rupees 10 each	23	9	32	17	6	23
Kohinoor Energy Limited 200 (2017: 200) fully paid ordinary shares of Rupees 10 each	9	(1)	8	8	-	8
Shifa International Hospitals Limited 700 (2017: 700) fully paid ordinary shares of Rupees 10 each	231	(42)	189	210	21	231
The Hub Power Company Limited 5 (2017: 5) fully paid ordinary shares of Rupees 10 each	1	-	1	1	-	1
Honda Atlas Cars (Pakistan) Limited 55 (2017: 55) fully paid ordinary shares of Rupees 10 each	48	(30)	18	20	28	48
Pak Suzuki Motor Company Limited 13 (2017: 13) fully paid ordinary shares of Rupees 10 each	10	(5)	5	5	5	10
Shell Pakistan Limited 55 (2017: 55) fully paid ordinary shares of Rupees 10 each	32	(14)	18	16	15	31
Baifo Industries Limited 304 (2017: 304) fully paid ordinary shares of Rupees 10 each	76	21	97	84	(8)	76
Thal Limited 450 (2017: 450) fully paid ordinary shares of Rupees 10 each	273	(58)	215	139	134	273
Abbot Laboratories (Pakistan) Limited 92 (2017: 92) fully paid ordinary shares of Rupees 10 each	86	(23)	63	75	11	86
Blessed Textile Limited 17,300 (2017: 17,300) fully paid ordinary shares of Rupees 10 each	4,158	1,988	6,146	3,141	1,017	4,158
The Bank of Punjab 4,500 (2017: Nil) fully paid ordinary shares of Rupees 10 each	56	(2)	54	-	-	-
Engro Foods Limited 1,500 (2017: Nil) fully paid ordinary shares of Rupees 10 each	134	(2)	132	-	-	-
	6,689	1,353	8,042	4,787	1,711	6,498



	Note	2018 (Rupees in thousand)	2017
<b>25. CASH AND BANK BALANCES</b>			
Cash in hand		1,898	6,129
Cash at bank:			
- On current accounts		85,145	116,304
- On saving accounts	25.1	74,862	32,502
		160,007	148,806
		161,905	154,935

**25.1** The balances in saving accounts carry rate of profit ranging from 0.16% to 5.75 % (2017: 0.15% to 5.25 %) per annum.

**25.2** The balances in current and saving accounts include US \$ 57,087 (2017: US \$ 30,131).

	Note	2018 (Rupees in thousand)	2017
<b>26. REVENUE</b>			
Export sales		6,334,385	7,663,545
Local sales	26.1	11,285,473	9,542,256
Export rebate		40,074	51,216
Duty draw back		173,608	147,691
		17,833,540	17,404,708
<b>26.1</b> Local sales		11,332,294	9,623,286
Less: Sales tax		46,821	81,030
		11,285,473	9,542,256
<b>27. COST OF SALES</b>			
Raw materials consumed	27.1	9,452,232	9,019,710
Salaries, wages and other benefits	27.2	1,481,034	1,458,168
Processing charges		26,232	14,495
Stores, spare parts and loose tools consumed		1,140,938	1,090,682
Packing materials consumed		498,291	501,069
Fuel and power		2,003,884	1,988,356
Repair and maintenance		175,235	293,670
Insurance		31,756	32,874
Other factory overheads		58,709	78,984
Depreciation	13.1.4	463,099	405,546
		15,331,410	14,883,554
<b>Work-in-process</b>			
Opening stock		575,961	620,336
Closing stock		(597,872)	(575,961)
		(21,911)	44,375
Cost of goods manufactured		15,309,499	14,927,929
<b>Finished goods</b>			
Opening stock		592,500	487,964
Closing stock		(546,211)	(592,500)
		46,289	(104,536)
Cost of sales		15,355,788	14,823,393

	2018 (Rupees in thousand)	2017
<b>27.1 Raw materials consumed</b>		
Opening stock	841,118	1,095,355
Add: Purchased during the year	10,041,869	8,765,473
	10,882,987	9,860,828
Less: Closing stock	(1,430,755)	(841,118)
	<u>9,452,232</u>	<u>9,019,710</u>

27.2 Salaries, wages and other benefits include provident fund contribution of Rupees 38.455 million (2017: Rupees 35.483 million) by the Company.

	Note	2018 (Rupees in thousand)	2017
<b>28. DISTRIBUTION COST</b>			
Salaries and other benefits	28.1	65,813	58,450
Outward freight and handling		25,959	29,820
Clearing and forwarding		255,806	259,266
Commission to selling agents		101,888	149,835
Travelling and conveyance		12,144	14,020
Insurance		191	283
Vehicles' running		2,518	1,890
Electricity, gas and water		2,639	933
Postage, telephone and fax		2,297	2,063
Sales promotion and advertisement		22,093	16,404
Miscellaneous		4,418	5,330
		<u>495,766</u>	<u>538,294</u>

28.1 Salaries and other benefits include provident fund contribution of Rupees 2.683 million (2017: Rupees 2.382 million) by the Company.

	Note	2018 (Rupees in thousand)	2017
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	29.1	280,548	256,363
Travelling and conveyance		22,935	20,575
Repair and maintenance		14,396	22,918
Rent, rates and taxes		5,563	4,286
Insurance		13,680	12,988
Vehicles' running		15,998	13,724
Printing, stationery and periodicals		4,265	4,615
Electricity, gas and water		5,227	486
Postage, telephone and fax		7,853	6,521
Legal and professional		29,036	25,164
Security, gardening and sanitation		35,216	36,020
Depreciation	13.1.4	37,502	37,006
Miscellaneous		22,313	20,015
		<u>494,532</u>	<u>460,681</u>



29.1 Salaries and other benefits include provident fund contribution of Rupees 9.356 million (2017: Rupees 7.739 million) by the Company.

29.2 The Company has shared expenses aggregating to Rupees 15.179 million (2017: Rupees 13.956 million) on account of combined offices with the subsidiary company. These expenses have been recorded in respective accounts.

	Note	2018 (Rupees in thousand)	2017
<b>30. OTHER EXPENSES</b>			
Auditors' remuneration	30.1	2,157	2,135
Donations	30.2	246	20
Loss on disposal of short term investments - net		10,413	-
Unrealized loss on remeasurement of future contracts - shares		6,996	-
Intangible asset under development written off		11,974	-
Provision for doubtful trade debts	20.1	932	-
Provision for doubtful advances	21	4,243	-
Provision for slow moving items	18.1	1,220	-
Workers' profits participation fund	8.1	104,202	127,216
Workers' welfare fund		12,307	8,281
Loss on sale of stores and spares		-	29
		<b>154,690</b>	<b>137,681</b>
<b>30.1 Auditors' remuneration</b>			
Audit fee		1,750	1,750
Reimbursable expenses		300	280
Certifications		107	105
		<b>2,157</b>	<b>2,135</b>

30.2 None of the directors and their spouses have any interest in the donee's fund.

	Note	2018 (Rupees in thousand)	2017
<b>31. OTHER INCOME</b>			
<b>Income from financial assets:</b>			
Exchange gain - net		112,755	13,450
Gain on remeasurement of short term investments - net	24	1,353	1,711
Gain on disposal of short term investments - net		-	309,738
Return on bank deposits		12,762	9,079
Interest income on loan and advances to Maple Leaf Cement Factory Limited		4,592	-
Dividend income from Maple Leaf Cement Factory Limited		1,001,724	1,311,347
Dividend income from others		691	25,705
		<b>1,133,877</b>	<b>1,671,030</b>
<b>Income from non-financial assets:</b>			
Scrap sales		41,949	34,228
Gain on disposal of property, plant and equipment	13.1.3	4,616	14,575
Gain on remeasurement of fair value of investment properties	15	3,085	5,612
		<b>49,650</b>	<b>54,415</b>
		<b>1,183,527</b>	<b>1,725,445</b>
<b>32. FINANCE COST</b>			
<b>Mark-up / finance charges / interest on:</b>			
Long term financing		80,800	76,855
Short term borrowings		191,981	141,494
Liabilities against assets subject to finance lease		230	2,214
Workers' profit participation fund	8.1	27,132	14,958
Advance from Maple Leaf Capital Limited		37,604	-
Advance from Maple Leaf Cement Factory Limited		-	2,847
		<b>337,747</b>	<b>238,368</b>
Bank charges and commission		24,453	29,225
		<b>362,200</b>	<b>267,593</b>
<b>33. TAXATION</b>			
<b>For the year</b>			
Current tax		454,315	488,347
Deferred tax	7.1	35,454	62,385
	33.1	<b>489,769</b>	<b>550,732</b>
<b>33.1 Reconciliation of tax charge for the year</b>			
Profit before tax		2,154,091	2,902,511
Tax on profit @ 30% (2017: 31%)		646,227	899,778
Tax effect of lower rate on certain income / expenses		(205,881)	(428,437)
Tax effect of super tax		54,869	69,609
Others		(5,446)	9,782
		<b>489,769</b>	<b>550,732</b>





### 33.2 Management assessment of sufficiency of current income tax provision

A comparison of provision on account of income taxes with most recent tax assessment for last three years is as follows:

	Year ended 30 June		
	2017	2016	2015
	---- (Rupees in thousand) ----		
Provision for taxation in financial statements	488,347	439,827	273,831
*Tax assessed as per most recent tax assessment	254,632	234,693	260,150

Various appeals are pending at different appellate forums on various issues. The Company computes tax based on the generally accepted interpretations of the tax laws and considering views followed by tax authorities to ensure that the sufficient provision for the purpose of taxation is available. According to management, the tax provision made in the financial statements is sufficient.

\*This represents income tax payable per return of income filed by the Company. As per section 120 of the Income Tax Ordinance, 2001, the return is taken to be an assessment order issued to the tax payer by the Commissioner on the day return was filed.

### 34. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2018	2017 Restated
Profit attributable to ordinary shares	Rupees in thousand	1,664,322	2,351,779
Weighted average number of ordinary shares	Numbers	295,080,469	285,178,699
Earnings per share	Rupees	5.64	8.25

	Note	2018 (Rupees in thousand)	2017
<b>35. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		2,154,091	2,902,511
<b>Adjustment for non-cash charges and other items:</b>			
Depreciation		500,601	442,552
Intangible asset under development written off		11,974	-
Finance cost		362,200	267,593
Gain on sale of property, plant and equipment		(4,616)	(14,575)
Loss / (gain) on disposal of short term investments		10,413	(309,738)
Unrealized loss on remeasurement of future contracts - shares		6,996	-
Gain on remeasurement of short term investments		(1,353)	(1,711)
Gain on remeasurement of fair value of investment properties		(3,085)	(5,612)
Dividend income from Maple Leaf Cement Factory Limited		(1,001,724)	(1,311,347)
Dividend income from others		(691)	(25,705)
Return on bank deposits		(12,762)	(9,079)
Provision for doubtful trade debts		932	-
Provision for doubtful advances		4,243	-
Provision for slow moving items		1,220	-
Working capital changes	35.1	(1,136,776)	(20,439)
		<b>891,663</b>	<b>1,914,450</b>
<b>35.1 Working capital changes</b>			
<b>(Increase) / decrease in current assets:</b>			
Stores, spare parts and loose tools		20,777	(34,322)
Stock-in-trade		(565,259)	194,076
Trade debts		(400,979)	(259,439)
Advances		(577,117)	50,939
Security deposits and short term prepayments		25,382	(7,429)
Other receivables		81,383	(170,596)
		<b>(1,415,813)</b>	<b>(226,771)</b>
<b>Increase in trade and other payables</b>		<b>279,037</b>	<b>206,332</b>
		<b>(1,136,776)</b>	<b>(20,439)</b>

### 35.2 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities from financing activities						Total
	Issued, subscribed and paid-up capital	Share premium	Long term financing	Liabilities against assets subject to finance lease	Short term borrowings	Unclaimed dividend	
----- (Rupees in thousand) -----							
Balance as at 01 July 2017	2,823,551	144,919	1,553,740	20,717	3,187,866	15,106	7,745,899
Proceeds from long term financing	-	-	441,988	-	-	-	441,988
Repayment of long term financing	-	-	(272,328)	-	-	-	(272,328)
Proceeds from issuance of right shares	169,413	841,158	-	-	-	-	1,010,571
Repayment of liabilities against assets subject to finance lease	-	-	-	-20,717	-	-	(20,717)
Short term borrowings - net	-	-	-	-	1,447,518	-	1,447,518
Dividend declared	-	-	-	-	-	797,654	797,654
Dividend paid	-	-	-	-	-	(792,003)	(792,003)
Balance as at 30 June 2018	2,992,964	986,077	1,723,400	-	4,635,384	20,757	10,358,582

### 36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements in respect of remuneration including certain benefits to the Chief Executive Officer, Directors and Executives of the Company are given below:

	Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017
----- ( Rupees in Thousand ) -----						
Managerial remuneration	18,920	10,780	9,460	11,730	69,161	56,797
Allowances						
House rent	1,320	-	660	532	12,598	11,154
Medical	-	-	-	526	6,774	5,555
Utilities	2,960	660	1,415	323	17,489	14,576
Special allowance	5,660	3,220	2,890	3,562	19,385	15,879
Contribution to provident fund	1,576	898	788	539	5,765	4,732
	30,436	15,558	15,213	17,212	131,172	108,693
Number of persons	1	1	2	3	32	28

Chief Executive Officer and Directors are provided with the Company's maintained vehicles, free medical facilities and residential telephone facilities for both business and personal use. Chief Executive Officer is also provided with free furnished accommodation along with utilities.

Executives are provided with the Company's maintained vehicles in accordance with the Company policy.

The aggregate amount charged in these financial statements in respect of directors' meeting fee paid to 1 (2017: 1) non-executive director was Rupees 116,666 (2017: Rupees 86,000).

No remuneration was paid to non-executive directors of the Company.

### 37. TRANSACTIONS WITH RELATED PARTIES

- 37.1 The related parties comprise of subsidiary companies, associated undertakings, directors of the Company and their close relatives, key management personnel and staff retirement fund. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2018 (Rupees in thousand)	2017
<b>Subsidiary companies</b>		
<b>Maple Leaf Cement Factory Limited</b>		
Purchase of goods and services	50,361	42,618
Purchase of property, plant and equipment	1,785	-
Dividend income	1,001,724	1,311,347
Investment made	2,367,710	-
Loan and advances paid	290,000	-
Interest income on loan and advances	4,592	(2,847)
<b>Maple Leaf Capital Limited</b>		
Purchase of property, plant and equipment	665	-
Sale of property, plant and equipment	1,359	-
Investment made	-	1,500,000
Loan obtained	1,250,000	-
Loan repaid	818,470	-
Mark-up on loan	37,604	-
Post employment benefit plan Contribution to provident fund	50,494	45,604

- 37.2 The related party status of outstanding balances as at 30 June 2018 are included in short term borrowings (note 10), Long term investments (note 16) and other receivables (note 23). The receivables and payables are primarily unsecured in nature.

- 37.3 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place.

Company name	Basis of relationship	Aggregate % of shareholding
Maple Leaf Capital Limited	Subsidiary	82.92%
Maple Leaf Cement Factory Limited	Subsidiary	55.22%
Maple Leaf Power Limited	Sub - subsidiary	55.22%



### 38. PLANT CAPACITY AND ACTUAL PRODUCTION

#### SPINNING:

##### - Rawalpindi Division

Spindles (average) installed / worked

2018 2017

(Numbers)

85,680	85,680
--------	--------

(Kilograms in thousand)

100% plant capacity converted into 20s count based on  
3 shifts per day for 1,095 shifts (2017: 1,095 shifts)

45,811	42,446
--------	--------

Actual production converted into 20s count based on  
3 shifts per day for 1,095 shifts (2017: 1,095 shifts)

41,331	39,574
--------	--------

(Numbers)

Rotors (average) installed / worked

1,848	1848
-------	------

(Kilograms in thousand)

100% plant capacity converted into 20s count based on  
3 shifts per day for 1,095 shifts (2017: 1,095 shifts)

3,548	3,108
-------	-------

Actual production converted into 20s count based on  
3 shifts per day for 1,095 shifts (2017: 1,095 shifts)

3,075	2,680
-------	-------

(Numbers)

##### - Gujjar Khan Division

Spindles (average) installed / worked

71,808	71,808
--------	--------

(Kilograms in thousand)

100% plant capacity converted into 20s count based on  
3 shifts per day for 1,095 shifts (2017: 1,095 shifts )

40,821	38,978
--------	--------

Actual production converted into 20s count based on  
3 shifts per day for 1,095 shifts (2017: 1,095 shifts)

36,603	34,816
--------	--------

#### WEAVING:

##### - Raiwind Division

Looms installed / worked

(Numbers)

288	288
-----	-----

(Square meters in thousand)

100% plant capacity at 60 picks based on 3 shifts per day  
for 1,095 shifts (2017: 1,095 shifts)

104,909	104,909
---------	---------

Actual production converted to 60 picks based on  
3 shifts per day for 1,095 shifts (2017: 1,095 shifts)

95,710	93,764
--------	--------

	2018	2017
<b>PROCESSING OF CLOTH :</b>		
- Rawalpindi Division	(Meters in thousand)	
Capacity at 3 shifts per day for 1,095 shifts (2017: 1,095 shifts)	42,090	42,090
Actual production at 3 shifts per day for 1,095 shifts (2017: 1,095 shifts)	14,613	17,986

**POWER PLANT:**

- Rawalpindi Division	(Mega watts)	
Annual rated capacity based on 365 days (2017: 365 days)	163,987	163,987
Actual generation		
Main engines	30,595	48,527
Gas engines	27,763	20,307
- Raiwind Division		
Annual rated capacity based on 365 days (2017: 365 days)	96,360	96,096
Actual generation	38,098	40,341

**Stitching**

The plant capacity of this division is indeterminable due to multi product plant involving varying processes of manufacturing and run length of order lots.

**REASONS FOR LOW PRODUCTION**

- Due to stoppage for normal maintenance, doffing, change of spin plans and cloth quality and interruption in gas and electricity supply.
- Cloth processing units working capacity was limited to actual export / local orders in hand.
- The generation of power was limited to actual demand.



### 39. SEGMENT INFORMATION

#### 39.1

	Spinning		Weaving		Processing and home textile		Elimination of inter-segment transaction		Company	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
REVENUE:										
EXTERNAL INTER-SEGMENT	9,018,757	7,252,725	3,461,876	3,610,176	5,352,907	6,541,807	-	-	17,833,540	17,404,708
	500,504	734,408	1,242,489	1,198,788	-	-	(1,742,993)	(1,933,196)	-	-
COST OF SALES	9,519,261	7,987,133	4,704,365	4,808,964	5,352,907	6,541,807	(1,742,993)	(1,933,196)	17,833,540	17,404,708
	(8,153,853)	(6,816,046)	(4,415,830)	(4,499,718)	(4,529,098)	(5,440,825)	1,742,993	1,933,196	(15,355,788)	(14,823,393)
GROSS PROFIT	1,365,408	1,171,087	288,535	309,246	823,809	1,100,982	-	-	2,477,752	2,581,315
	(39,553)	(29,615)	(74,152)	(77,851)	(382,061)	(430,828)	-	-	(495,766)	(538,294)
DISTRIBUTION COST	(184,137)	(152,289)	(150,741)	(155,372)	(159,654)	(153,020)	-	-	(494,532)	(460,681)
ADMINISTRATIVE EXPENSES	(223,690)	(181,904)	(224,893)	(233,223)	(541,715)	(583,848)	-	-	(990,298)	(998,975)
PROFIT BEFORE TAX AND UNALLOCATED INCOME AND EXPENSES	1,141,718	989,183	63,642	76,023	282,094	517,134	-	-	1,487,454	1,582,340
UNALLOCATED INCOME AND EXPENSES										
OTHER EXPENSES										
OTHER INCOME										
FINANCE COST										
TAXATION										
PROFIT AFTER TAXATION										

#### 39.2 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and home textile		Elimination of inter-segment transaction		Company	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
TOTAL ASSETS FOR REPORTABLE SEGMENT	5,910,038	4,665,385	3,404,394	3,313,886	3,112,506	2,912,971	12,426,938	10,892,242	176,868	769,439
UNALLOCATED ASSETS										
TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION										
TOTAL LIABILITIES FOR REPORTABLE SEGMENT	1,194,478	932,919	1,387,908	1,283,415	4,177,132	2,590,431	6,759,518	4,806,765	1,664,322	2,351,779
UNALLOCATED LIABILITIES										
TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION										

All segment assets are allocated to reportable segments other than those directly relating to corporate and tax assets.

All segment liabilities are allocated to reportable segments other than trade and other payables and deferred tax liabilities.

### 39.3 Geographical Information

39.3.1 The Company's revenue from external customers by geographical location is detailed below:

	2018 (Rupees in thousand)	2017
Europe	2,664,714	3,431,167
United States of America and Canada	3,423,634	3,983,128
Asia, Africa, Australia	459,719	448,157
Pakistan	11,285,473	9,542,256
	<u>17,833,540</u>	<u>17,404,708</u>

39.3.2 All non-current assets as at reporting date are located and operated in Pakistan.

#### 39.4 Revenue from major customers

Revenue from major customers whose revenue accounts for more than 10% of the segment's revenue in Weaving segment was Rupees 361 million (2017: Rupees 679 million ) whereas in the Processing and Home Textile segment was Rupees 2,190 million (2017: Rupees 4,524 million).

39.5 Based on the judgment made by the management, printing, dyeing and home textile operating segments of the Company have been aggregated into a single operating segment namely 'Processing and Home Textile' as these segments have similar economic characteristics in respect of nature of the products, nature of production process, type of customers, method of distribution and nature of regulatory environment.

## 40. PROVIDENT FUND

As at the reporting date, the provident fund trusts are in the process of regularizing investments in accordance with section 218 of the Companies Act, 2017 and the rules formulated for this purpose in terms of SRO 731(1)/2018 issued by Securities and Exchange Commission of Pakistan on 06 June 2018 which allows transition period of one year for bringing the trusts in conformity with the requirements of rules.

	2018	2017
41. NUMBER OF EMPLOYEES		
Number of employees as on 30 June	4,824	4,572
This includes 3,870 (2017: 3,675) number of factory employees		
Average number of employees during the year	4,781	4,987

## 42 FINANCIAL RISK MANAGEMENT

### 42.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.





Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) **Market risk**

(i) **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 from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2018	2017
Cash at banks - USD	57,087	30,131
Trade debts - USD	4,525,798	6,812,670
Trade and other payables - USD	12,000	7,000
Net exposure - USD	4,570,885	6,835,801
The following significant exchange rates were applied during the year:		
<b>Rupees per US Dollar</b>		
Average rate	109.40	104.46
Reporting date rate	121.40	104.80

**Sensitivity analysis**

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 26.083 million (2017: Rupees 19.025 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) **Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk 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. The Company is not exposed to commodity price risk.

### Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index on the Company's profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on profit after taxation		Impact on statement of other comprehensive income	
	2018	2017	2018	2017
	----- (Rupees in thousand) -----			
PSX 100 (5% increase)	402	325	-	-
PSX 100 (5% decrease)	(402)	(325)	-	-

### (iii) Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowings. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

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

	2018	2017
	(Rupees in thousand)	
<b>Fixed rate instruments</b>		
<b>Financial liabilities</b>		
Long term financing	1,648,400	1,428,740
Short term borrowings	2,575,000	2,562,936
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - saving accounts	74,862	32,502
<b>Financial liabilities</b>		
Long term financing	75,000	125,000
Liabilities against assets subject to finance lease	-	20,717
Short term borrowings	2,060,384	619,317

### 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 statement of financial position date would not affect profit or loss of the Company.



### Cash flow sensitivity analysis for variable rate instruments

If interest rate at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 15.304 million (2017: Rupees 4.524 million) lower / higher, mainly as a result of higher / lower interest on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at statement of financial position dates were outstanding for the whole year.

#### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 (Rupees in thousand)	2017
Investments	8,042	6,498
Deposits	49,695	63,851
Trade debts	1,699,015	1,298,968
Advances	1,883	7,578
Other receivables	266,655	9,479
Bank balances	160,007	148,806
	2,185,297	1,535,180

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2018	2017
	Short term	Long term	Agency	(Rupees in thousand)	
<b>Banks</b>					
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	13,547	14,044
Allied Bank Limited	A1+	AA+	PACRA	370	2,440
Askari Bank Limited	A1+	AA+	PACRA	6,711	1,496
Bank Alfalah Limited	A-1+	AA+	PACRA	3,228	670
Bank Al-Habib Limited	A1+	AA+	PACRA	11,990	33,695
Bank Islami Pakistan Limited	A1	A+	PACRA	29	29
Faysal Bank Limited	A1+	AA	PACRA	888	4,253
First Women Bank Limited	A2	A-	PACRA	-	18
Habib Bank Limited	A-1+	AAA	JCR-VIS	5,066	5,185
MCB Bank Limited	A1+	AAA	PACRA	40,590	7,994
Meezan Bank Limited	A-1+	AA+	JCR-VIS	9,789	29,712
National Bank of Pakistan	A1+	AAA	PACRA	10,255	1,191
MCB Islamic Bank Limited	A1+	AA-	PACRA	8,263	20,852
Silkbank Limited	A-2	A-	JCR-VIS	51	53
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	10	10
The Bank of Punjab	A1+	AA	PACRA	8,747	2,966
United Bank Limited	A-1+	AAA	JCR-VIS	40,473	24,198
				160,007	148,806

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 20.2

Due to the Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2018, the Company had Rupees 3,861 million (2017: Rupees 3,707 million) available borrowing limits from financial institutions and Rupees 161.905 million (2017: Rupees 154.935 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2018.

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
----- (Rupees in thousand) -----						
Non-derivative financial liabilities:						
Long term financing	1,723,400	1,850,043	216,172	214,318	412,230	1,007,323
Trade and other payables	1,433,253	1,433,253	1,433,253	-	-	-
Accrued mark-up	63,351	63,351	63,351	-	-	-
Short term borrowings	4,635,384	4,282,507	4,282,507	-	-	-
Unclaimed dividend	20,757	20,757	20,757	-	-	-
	<u>7,876,145</u>	<u>7,649,911</u>	<u>6,016,040</u>	<u>214,318</u>	<u>412,230</u>	<u>1,007,323</u>

Contractual maturities of financial liabilities as at 30 June 2017

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
----- (Rupees in thousand) -----						
Non-derivative financial liabilities:						
Long term financing	1,553,740	1,754,713	142,319	193,371	394,995	1,024,028
Liabilities against assets subject to finance lease	20,717	20,966	20,966	-	-	-
Trade and other payables	1,195,875	1,195,875	1,195,875	-	-	-
Accrued mark-up	44,228	44,228	44,228	-	-	-
Short term borrowings	3,187,866	3,231,994	3,231,994	-	-	-
Unclaimed dividend	15,106	15,106	15,106	-	-	-
	<u>6,017,532</u>	<u>6,262,882</u>	<u>4,650,488</u>	<u>193,371</u>	<u>394,995</u>	<u>1,024,028</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark-up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 5 and note 10 to these financial statements.

## 42.2 Financial instruments by categories

Loans and receivables	At fair value Through profit or loss	Total
-----------------------	--------------------------------------	-------

------(Rupees in thousand)-----

As at 30 June 2018

Assets as per statement of financial position

Investments	-	8,042	8,042
Deposits	49,695	-	49,695
Trade debts	1,699,015	-	1,699,015
Advances	1,883	-	1,883
Other receivables	266,655	-	266,655
Cash and bank balances	161,905	-	161,905
	<u>2,179,153</u>	<u>8,042</u>	<u>2,187,195</u>

Financial liabilities at amortized cost
---

(Rupees in thousand)

Liabilities as per statement of financial position

Long term financing

Liabilities against assets subject to finance lease	1,723,400
Trade and other payables	-
Accrued mark-up	1,433,253
Short term borrowings	63,351
Unclaimed dividend	4,635,384
	<u>20,757</u>
	<u>7,876,145</u>

Loans and receivables	At fair value Through profit or loss	Total
-----------------------	--------------------------------------	-------

------(Rupees in thousand)-----

As at 30 June 2017

Assets as per statement of financial position

Investments	-	6,498	6,498
Deposits	63,851	-	63,851
Trade debts	1,298,968	-	1,298,968
Advances	7,578	-	7,578
Other receivables	9,479	-	9,479
Cash and bank balances	154,935	-	154,935
	<u>1,534,811</u>	<u>6,498</u>	<u>1,541,309</u>

Financial liabilities at amortized cost
--

(Rupees in thousand)

Liabilities as per statement of financial position

Long term financing	1,553,740
Liabilities against assets subject to finance lease	20,717
Trade and other payables	1,195,875
Accrued mark-up	44,228
Short term borrowings	3,187,866
Unclaimed dividend	15,106
	6,017,532

#### 42.3 Offsetting financial assets and liabilities

As on reporting date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

#### 42.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in note 5, note 6 and note 10 respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'. The gearing ratio as at year ended 30 June 2018 and 30 June 2017 is as follows:

	2018 (Rupees in thousand)	2017
Borrowings	6,358,784	4,762,323
Total equity	15,820,626	13,922,796
Total capital employed	22,179,410	18,685,119
Gearing ratio	29%	25%



#### 43. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

##### (i) Fair value hierarchy

Judgments and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

30 June 2018				
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
----- ( Rupees in thousand ) -----				
Financial assets				
Financial assets at fair value through profit or loss	8,042	-	-	8,042
<b>Total financial assets</b>	<b>8,042</b>	<b>-</b>	<b>-</b>	<b>8,042</b>

30 June 2017				
	Level 1	Level 2	Level 3	Total
Financial assets				
----- ( Rupees in thousand ) -----				
Financial assets at fair value through profit or loss	6,498	-	-	6,498
<b>Total financial assets</b>	<b>6,498</b>	<b>-</b>	<b>-</b>	<b>6,498</b>

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements as the Company has no investments which are classified under level 3 of fair value hierarchy table.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices.

44. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

(i) Fair value hierarchy

The judgements and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

At 30 June 2018	Level 1	Level 2	Level 3	Total
	----- ( Rupees in thousand ) -----			
Investment properties	-	1,792,755	-	1,792,755
Freehold land	-	2,739,557	-	2,739,557
<b>Total non-financial assets</b>	<b>-</b>	<b>4,532,312</b>	<b>-</b>	<b>4,532,312</b>

At 30 June 2017	Level 1	Level 2	Level 3	Total
	----- ( Rupees in thousand ) -----			
Investment properties	-	1,789,670	-	1,789,670
Freehold land	-	2,718,966	-	2,718,966
<b>Total non-financial assets</b>	<b>-</b>	<b>4,508,636</b>	<b>-</b>	<b>4,508,636</b>

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

(ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for its investment properties at least annually and for its freehold land (classified as property, plant and equipment) at least every three years. The management updates the assessment of the fair value of each property, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates. The best evidence of fair value of land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building.





### Valuation processes

The Company engages external, independent and qualified valuers to determine the fair value of the Company's investment properties at the end of every financial year and for freehold land at least every three years. As at 30 June 2018, the fair values of the investment properties and freehold land have been determined by Anderson Consulting (Private) Limited.

Changes in fair values are analyzed at each reporting date during the annual valuation discussion between the Chief Financial Officer and the valuers. As part of this discussion the team presents a report that explains the reason for the fair value movements.

### 45. DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX

Description	Note	2018 (Rupees in thousand)	2017
Loans / advances obtained as per Islamic mode:			
Advances	8	125,443	81,504
Shariah compliant bank deposits / bank balances			
Bank balances	25	21,839	34,925
Profit earned from shariah compliant bank deposits / bank balances		-	-
Revenue earned from shariah compliant business	26	17,833,540	17,404,708
Gain / (loss) or dividend earned from shariah compliant investments			
Dividend income	31	1,002,415	1,337,052
Realized (loss) / gain on disposal of short term investments	30	(10,413)	258,589
Unrealized gain on investments at fair value	31	1,353	1,711
Exchange gain earned	31	112,755	13,450
Mark-up paid on islamic mode of financing		-	-
Profits earned or interest paid on any conventional loan / advance		-	-

### Relationship with shariah compliant banks

Name	Relationship at reporting date
Al-Baraka Bank (Pakistan) Limited	Bank balance
Bank Islami Pakistan Limited	Bank balance
MCB Islamic Bank Limited	Bank balance

#### 46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 18 September 2018 by the Board of Directors of the Company.

#### 47. NON-ADJUSTING EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors of the Company in their meeting held on 18 September 2018 has proposed a final cash dividend of Rupee 1 per share (10%) amounting to Rupees 299,296 million (2017: Rupees 423.533 million) for the year ended 30 June 2018 for approval of the members at the Annual General Meeting to be held on 27 October 2018. The financial statements for the year ended 30 June 2018 do not include the effect of the proposed final cash dividend which will be accounted for in the period ending 30 June 2019.

#### 48. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. To comply with the requirements of the Companies Act, 2017, unclaimed dividend has been reclassified from trade and other payables and presented on the face of the statement of financial position. Restatement due to change in accounting policy relating to surplus on revaluation of freehold land and investment properties described in the note 2.24. Except for these, no significant rearrangements have been made.

#### 49. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless stated otherwise.



CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

## PATTERN OF SHAREHOLDING

1. CUIIN (Incorporation Number)	0002805
2. Name of the Company	KOHINOOR TEXTILE MILLS LIMITED
3. Pattern of holding of the shares held by the shareholders as at	30.06.2018

4.	No. of Shareholders	Size of Holding		Total Shares Held
		From	To	
	2,589	1	100	68,905
	933	101	500	258,547
	367	501	1000	255,533
	476	1001	5000	1,153,682
	102	5001	10000	695,118
	44	10001	15000	540,197
	20	15001	20000	350,976
	12	20001	25000	275,796
	8	25001	30000	212,996
	8	30001	35000	261,361
	7	35001	40000	260,075
	6	40001	45000	251,282
	2	45001	50000	97,789
	5	50001	55000	259,688
	5	55001	60000	290,141
	3	60001	65000	186,749
	5	65001	70000	337,620
	5	70001	75000	361,213
	3	80001	85000	250,465
	3	85001	90000	262,200
	2	90001	95000	181,801
	5	95001	100000	396,000
	1	100001	105000	101,760
	2	105001	110000	211,470
	1	110001	115000	111,380
	1	120001	125000	124,000
	1	125001	130000	129,850
	1	145001	150000	146,670
	1	150001	155000	153,700
	1	155001	160000	155,851
	2	160001	165000	323,744
	1	165001	170000	167,279
	1	185001	190000	189,231
	1	190001	195000	190,800
	1	195001	200000	200,000
	2	210001	215000	428,723
	1	230001	235000	235,000
	1	240001	245000	240,974
	2	245001	250000	499,065
	1	250001	255000	253,400
	1	270001	275000	275,000
	1	295001	300000	300,000
	1	315001	320000	316,743

No. of Shareholders	Size of Holding		Total Shares Held
	From	To	
1	335001	340000	337,673
1	385001	390000	385,016
1	395001	400000	400,000
1	450001	455000	450,300
1	460001	465000	464,846
1	510001	515000	512,135
1	565001	570000	565,890
1	595001	600000	599,163
1	650001	655000	652,280
1	660001	665000	661,665
1	665001	670000	667,189
1	670001	675000	672,000
2	745001	750000	1,493,785
1	765001	770000	766,749
1	825001	830000	828,500
1	860001	865000	864,760
1	880001	885000	881,311
1	935001	940000	939,238
1	955001	960000	958,978
1	995001	1000000	1,000,000
1	1120001	1125000	1,123,100
1	1130001	1135000	1,130,824
1	1360001	1365000	1,361,665
1	1425001	1430000	1,429,710
1	1605001	1610000	1,608,221
1	1615001	1620000	1,617,223
1	1685001	1690000	1,686,500
1	1710001	1715000	1,710,030
2	1895001	1900000	3,796,133
1	2065001	2070000	2,066,470
1	2395001	2400000	2,397,525
1	2585001	2590000	2,586,718
1	2745001	2750000	2,745,400
1	2930001	2935000	2,931,342
1	3165001	3170000	3,169,989
1	4700001	4775000	4,773,355
1	5530001	5535000	5,534,172
1	10685001	10690000	10,686,990
1	11395001	11400000	11,395,425
1	12645001	12650000	12,648,322
1	30375001	30380000	30,377,143
1	43425001	43430000	43,425,059
1	49635001	49640000	49,639,992
1	73390001	73395000	73,390,896
4,681			299,296,456

Note : The Slabs not applicable above have not been shown.



5. Categories of Shareholders	Shares Held	Percentage of Capital
5.1 Directors, Chief Executive Officer and their spouses & minor children		
MR. TARIQ SAYEED SAIGOL, CHAIRMAN	12,648,322	4.226
MR. TAUFIQUE SAYEED SAIGOL, CHIEF EXECUTIVE OFFICER	43,425,059	14.509
MR. SAYEED TARIQ SAIGOL	385,016	0.129
MR. WALEED TARIQ SAIGOL	33,471	0.011
MR. DANIAL TAUFIQUE SAIGOL	3,046	0.001
MR. SHAFIQ AHMED KHAN	3,046	0.001
MR. ARIF IJAZ	3,027	0.001
MRS. SHEHLA TARIQ SAIGOL, SPOUSE OF MR. TARIQ SAYEED SAIGOL	30,377,143	10.150
	86,878,130	29.028
5.2 Associated Companies, undertakings and related parties	-	-
5.3 NIT and ICP		
National Bank Of Pakistan, Trustee Deptt.	10,670	0.004
Industrial Development Bank of Pakistan (IDBP)	13,914	0.005
	24,584	0.009
5.4 Banks, Development Financial Institutions, Non-Banking Financial Institutions	8,334,639	2.785
5.5 Insurance Companies	1,133,399	0.379
5.6 Modarabas and Leasing	20,372	0.007
5.6 a Mutual Funds		
AGP (PVT) LTD STAFF PROVIDENT FUND	26,500	
CDC - TRUSTEE ABL STOCK FUND	300,000	
CDC - TRUSTEE AKD INDEX TRACKER FUND	49,695	
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1,898,900	
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1,123,100	
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	464	
CDC - TRUSTEE ALFALAH GHP VALUE FUND	42	
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	747,300	
CDC - TRUSTEE APF-EQUITY SUB FUND	40,500	
CDC - TRUSTEE APIF - EQUITY SUB FUND	63,000	
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	400,000	
CDC - TRUSTEE ATLAS STOCK MARKET FUND	450,300	
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	652,280	
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	2,586,718	
CDC - TRUSTEE MEEZAN ISLAMIC FUND	259	
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	512,135	
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	2,397,525	
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1,608,221	
CDC - TRUSTEE NAFA MULTI ASSET FUND	240,974	
CDC - TRUSTEE NAFA STOCK FUND	3,169,989	
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,361,665	
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	153,700	
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	275,000	
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	214,650	
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	464,846	
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	100,000	
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	100,000	
MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND	2,400	
	18,940,163	6.327

Categories of Shareholders	Shares Held	Percentage of Capital
5.7 Share holders holding Five Percent or more voting interest in the Company		
	refer 5.8 b	
5.8 General Public		
A) Individuals	33,112,550	11.063
B) Foreign Investor(S)	147,090,473	49.145
5.9 Joint Stock Companies	1,256,853	0.420
5.10 Public Sector Companies and Corporations	154	0.000
5.11 Executive(s)	8	0.000
5.12 Others		
AKHUWAT	2,396	
ARTAL RESTAURANT INT LTD EMP P.F	2,073	
BPS GROUP COMPANIES EMPLOYEES PROVIDENT FUND	10,000	
CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	214,073	
CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	167,279	
CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	190,800	
CDC-TRUSTEE ALHAMRA ISLAMIC PENSION FUND - EQUITY SUB FUND	105,470	
FEDERAL BOARD OF REVENUE	161,269	
FIKREE DEVELOPMENT CORP. (PVT.) LIMITED	50	
HAJIANI HANIFA BAI MEMORIAL SOCIETY	766,749	
HUSSAIN TRUSTEES LIMITED.	297	
PAKISTAN CENTRE FOR PHILANTHROPY	1,970	
PAKISTAN STOCK EXCHANGE LIMITED-FUTURE CONTRACTS	70,178	
THE DEPUTY ADMINISTRATOR. ABONDONED PROPERTIES	193	
THE IDA RIEU POOR WELFARE ASSOCIATION	405	
THE OKHAI MEMON MADRESSAH ASSOCIATION	1	
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	11,848	
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	337,673	
TRUSTEE-MILLAT TRACTORS LTD. EMPLOYEES PENSION FUND	15,486	
TRUSTEES BRISTOL-MYERS SQUIBB PAK (PVT) LTD EMP PROV FUND	3,000	
TRUSTEES DESCON OXYCHEM LTD. EMPLOYEES PROVIDENT FUND	560	
TRUSTEES DESCON POWER SOLUTIONS PVT LTD STAFF PROV FUND TRUST	2,000	
TRUSTEES INSPECTEST (PVT.) LIMITED EMPLOYEES PROVIDENT FUND	560	
TRUSTEES MAPLE LEAF CEMENT FACTORY LTD EMPLOYEES PROV FUND	2,770	
TRUSTEES MOOSA LAWAI FOUNDATION	4,285	
TRUSTEES OF SULAIMANIYAH TRUST	90,401	
TRUSTEES OF FFC EMPLOYEES PROVIDENT FUND	26,500	



Categories of Shareholders	Shares Held	Percentage of Capital
TRUSTEES OF GREEN STAR SOCIAL MKT. PAK.(G) LTD. EMP.GRA. FUND	11,000	
TRUSTEES OF GREEN STAR SOCIAL MKT. PAK.(G) LTD. EMP.PROV.FUND	9,500	
TRUSTEES OF PAKISTAN HUMAN DEVELOPMENT FUND	124,000	
TRUSTEES OF SERVICE SALES CORPORATION EMP. GRAT. FUND TRUST	11,500	
TRUSTEES OF SERVICE SALES CORPORATION PROVIDENT FUND TRUST	23,000	
TRUSTEES THALL LIMITED- EMPLOYEES PROVIDENT FUND	23,320	
TRUSTEES THALL LIMITED- EMPLOYEES RETIREMENT BENEFIT FUND	3,176	
TRUSTEES WELLCOME PAKISTAN LIMITED PROVIDENT FUND	58,500	
TRUSTEES OF TELNOR PAKISTAN PVT LTD EMPLOYEES PROVIDENT FUND	25,500	
TRUSTEE-THE KOT ADDU POWER CO. LTD. EMPLOYEES PENSION FUND	21,305	
TRUSTEE-THE KOT ADDU POWER CO. LTD. EMPLOYEES PROVIDENT FUND	5,200	
UNITED EXECUTERS & TRUSTEE COMPANY LIMITED	164	
UNIVERSTY OF SINDH	680	
	2,505,131	0.837
<b>Grand Total :</b>	299,296,456	100.000







Consolidated  
Financial Statements  
for the Year Ended June 30, 2018

# DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Directors are pleased to present the audited consolidated financial statements of Kohinoor Textile Mills Limited (the Holding Company) and its Subsidiary Companies Maple Leaf Cement Factory Limited (55.22%), Maple leaf Power Limited (55.22%) and Maple Leaf Capital Limited (82.92%) (together referred to as Group) for the year ended 30 June 2018.

## GROUP RESULTS

The Group has earned gross profit of Rupees 11,300 million as compared to Rupees 12,255 million of corresponding year. The group made pre-tax profit of Rupees 7,101 million this year as compared to Rupees 10,270 million during the last year.

The overall group financial results are as follows:

	2018 (Rupees in million)	2017
Gross sales	43,467	41,248
Gross profit	11,300	12,255
Profit from operations	8,269	10,712
Financial charges	1,167	442
Net profit after taxation	5,717	7,252
	----- (Rupees) -----	
		Restated
Earnings per share - Basic and diluted	11.95	16.38

## SUBSIDIARY COMPANIES

### Maple Leaf Cement Factory Limited (MLCFL)

It has recorded an increase of 7.11% in its sales over previous year and has shown gross profit of 29.25% (30 June 2017: 39.52%) amounting Rupees 7,516 million (30 June 2017: 9,482 million).

It has earned after tax profit of Rupees 3,632 million (30 June 2017: Rupees 4,777 million).

MLCFL is in the process of installation of an additional cement line having cement manufacturing capacity of 7,300 tons per day at its existing manufacturing premises. This will significantly affect the business volume and profitability of the company.

### Maple Leaf Power Limited (MLPL)

MLPL has earned after tax profit of Rupees 758 million against Rupees 7 million loss after tax in 2017.

### Maple Leaf Capital Limited (MLCL)

MLCL has earned after tax profit of Rupees 258 million (2017: Rupees 1,201 million).

## ACKNOWLEDGMENT

The Directors are grateful to the Group's members, financial institutions, customers and employees for their cooperation and support. They also appreciate the hard work and dedication of the employees working at various divisions.

For and on behalf of the Board



Taufique Sayeed Saigol  
Chief Executive Officer



Syed Mohsin Raza Naqvi  
Director

Lahore  
18 September 2018



# INDEPENDENT AUDITORS' REPORT

To the members of KOHINOOR TEXTILE MILLS LIMITED

## Opinion

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

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

## Basis for Opinion

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

## Key Audit Matters

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

Following are the key audit matters:

Sr. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Inventory existence and valuation:</b></p> <p>Inventory of the textile business of the Group as at 30 June 2018 represented a material position in the consolidated statement of financial position.</p> <p>The textile business is characterized by high volume serial production and the valuation and existence of inventories are significant to the Group. Therefore, considered as one of the key audit matters.</p> <p>Inventories are stated at lower of cost and net realizable value. Cost is determined as per accounting policy disclosed in note 2.12 to the consolidated financial statements.</p> <p>At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost.</p> <p>Useable stores, spares parts and loose tools are valued at moving average cost, raw materials are valued at annual average cost whereas, costing of work-in-process and finished goods is considered to carry more significant risk as the cost of material, labor and manufacturing overheads is allocated on the basis of complex formulae and involves management judgment.</p> <p>The determination of whether inventory will be realized for a value less than cost requires management to exercise judgement and apply assumptions. Management undertakes the following procedures for determining the level of write down required:</p> <ul style="list-style-type: none"> <li>• Use inventory ageing reports together with historical trends to estimate the likely future saleability of slow moving and older inventory items.</li> <li>• Perform a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realizable value and a specific write down is recognized, if required.</li> </ul> <p>For further information on inventory, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Inventories note 2.12 to the consolidated financial statements.</li> </ul>	<p>Our procedures over existence and valuation of inventory included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• To test the quantity of inventories at all locations, we assessed the corresponding inventory observation instructions and participated in inventory counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management.</li> <li>• For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets.</li> <li>• Tested that the ageing report used by management correctly aged inventory items by agreeing a sample of aged inventory items to the last recorded invoice.</li> <li>• On a sample basis, we tested the net realizable value of inventory items to recent selling prices and re-performed the calculation of the inventory write down, if any.</li> <li>• Assessed the percentage write down applied to older inventory with reference to historic inventory write downs and recoveries on slow moving inventory.</li> <li>• In the context of our testing of the calculation, we analyzed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs.</li> <li>• Made enquiries of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.</li> </ul>



	<ul style="list-style-type: none"> <li>- Stores, spare parts and loose tools note 22 and Stock-in-trade note 23 to the consolidated financial statements.</li> </ul>	
2	<p><b>Capital expenditures</b></p> <p>The Group is investing significant amounts in its operations and there are a number of areas where management judgement impacts the carrying value of property, plant and equipment and its respective depreciation profile. These include among other the decision to capitalize or expense costs; and review of useful life of the assets including the impact of changes in the Group's strategy.</p> <p>We focused on this area since the amounts have a significant impact on the financial position of the Group and there is significant management judgment required that has significant impact on the reporting of the financial position for the Group. Therefore, considered as one of the key audit matters.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Property, plant, equipment and depreciation note 2.6 to the consolidated financial statements.</li> <li>- Property, plant and equipment note 17 to the consolidated financial statements.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We tested operating effectiveness of controls in place over the property, plant and equipment cycle including the controls over whether costs incurred on activities is capital or operating in nature.</li> <li>• We evaluated the appropriateness of capitalization policies and depreciation rates.</li> <li>• We performed tests of details on costs capitalized.</li> <li>• We verified the accuracy of management's calculation used for the impairment testing.</li> </ul>
3	<p><b>Revenue recognition</b></p> <p>The Group generates revenue from sale of cement to domestic as well as export customers.</p> <p>We identified recognition of revenue as a key audit matter as it is one of the key performance indicators of the Group and gives rise to an inherent risk of misstatement to meet expectations or targets.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Revenue recognition note 2.19 to the consolidated financial statements.</li> <li>- Revenue note 30 to the consolidated financial statements.</li> </ul>	<p>Our procedures to assess recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the process relating to recording of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue.</li> <li>• We assessed the appropriateness of the Group's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards.</li> <li>• We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents.</li> </ul>

		<ul style="list-style-type: none"> <li>• We compared, on a sample basis, specific revenue transactions recorded just before and just after the financial year end date to determine whether the revenue had been recognized in the appropriate financial period.</li> <li>• We scanned for any manual journal entries relating to revenue recognized during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.</li> </ul>
4	<p><b>Borrowings and finance costs</b></p> <p>The cement and power segments of the Group have obtained range of financing facilities from different financial institutions with varying terms and tenors.</p> <p>This was considered to be a key audit matter as these affects Group's gearing, liquidity and solvency.</p> <p>Further, compliance with debt covenants is a key requirement of these financing arrangements.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Borrowings note 2.14 and Borrowing cost note 2.15 to the consolidated financial statements.</li> <li>- Long term financing note 6 finance cost note 36 to the consolidated financial statements.</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We assessed the design and operating effectiveness of the Group's internal controls over recording the terms and conditions of borrowings from financial institutions, including their classification as either current or non-current and associated costs.</li> <li>• We obtained confirmations of borrowings as at 30 June 2018 directly from the financial institutions.</li> <li>• We tested the calculation of markup recognized as an expense and markup capitalized during the year to assess whether these were accounted for in accordance with approved accounting standards as applicable in Pakistan.</li> <li>• We assessed whether loans maturing within twelve months were classified as current liabilities.</li> <li>• We assessed the adequacy of the Group's compliance with the loan covenants and the disclosure in the consolidated financial statements.</li> </ul>
5	<p><b>Preparation of consolidated financial statements under the Companies Act, 2017</b></p> <p>The Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Group's annual financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements.</p> <p>In case of the Group, specific additional disclosures and changes to the existing disclosures have been included in the consolidated financial statements.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We assessed the procedures applied by the management for identification of the changes required in the consolidated financial statements due to the application of the Act.</li> <li>• We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.</li> <li>• We verified on test basis the supporting evidences for the additional disclosures and ensured appropriateness of the disclosures made.</li> </ul>



	<p>The above changes and enhancements in the consolidated financial statements are considered important and a key audit matter because of the volume and significance of the changes in the consolidated financial statements resulting from the transition to the new reporting requirements under the Act.</p> <p>For further information, refer to note 2.1(b) to the consolidated financial statements.</p>	
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### Information Other than the Financial Statements and Auditor’s Report Thereon

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

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

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

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

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

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

Board of directors is responsible for overseeing the Group’s financial reporting process.

### Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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



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

The engagement partner on the audit resulting in this independent auditor's report is Mubashar Mehmood.



RIAZ AHMAD & COMPANY  
Chartered Accountants

DATE: 18 September 2018

Islamabad

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	Note	2018	2017 Restated	2016 Restated
(Rupees in thousand)				
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized share capital				
370,000,000 (2017: 370,000,000)				
ordinary shares of Rupees 10 each		3,700,000	3,700,000	3,700,000
30,000,000 (2017: 30,000,000) preference				
shares of Rupees 10 each		300,000	300,000	300,000
		<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid-up share capital	3	2,992,964	2,823,551	2,823,551
Reserves	4			
<b>Capital reserves</b>				
Share premium		986,077	144,919	144,919
Surplus on revaluation of freehold land and				
investment properties		4,036,717	4,016,126	4,005,463
		<u>5,022,794</u>	<u>4,161,045</u>	<u>4,150,382</u>
<b>Revenue reserves</b>				
General reserve		1,450,491	1,450,491	1,450,491
Unappropriated profit		17,480,368	14,743,113	11,301,678
		<u>18,930,859</u>	<u>16,193,604</u>	<u>12,752,169</u>
Equity attributable to equity holders of the				
Holding Company		26,946,617	23,178,200	19,726,102
Non-controlling interest	5	12,869,953	9,600,270	8,267,192
<b>Total equity</b>		<u>39,816,570</u>	<u>32,778,470</u>	<u>27,993,294</u>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Long term financing	6	14,277,179	4,186,110	1,692,325
Liabilities against assets subject to finance lease	7	-	270,615	501,613
Long term deposits	8	8,715	8,699	6,499
Retirement benefits	9	183,764	150,778	119,783
Retention money payable	10	310,735	-	-
Deferred income tax liability	11	2,850,450	3,167,039	3,155,036
		<u>17,630,843</u>	<u>7,783,241</u>	<u>5,475,256</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	12	7,079,339	5,509,142	4,447,251
Accrued mark-up	13	339,808	145,693	89,143
Unclaimed Dividend		131,500	116,325	120,622
Short term borrowings	14	9,988,756	6,326,025	4,958,320
Current portion of non-current liabilities	15	1,198,917	702,107	352,410
Taxation - net		-	476,711	187,811
		<u>18,738,320</u>	<u>13,276,003</u>	<u>10,155,557</u>
<b>TOTAL LIABILITIES</b>		<u>36,369,163</u>	<u>21,059,244</u>	<u>15,630,813</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	16			
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>76,185,733</u>	<u>53,837,714</u>	<u>43,624,107</u>

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

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

	Note	2018 (Rupees in thousand)	2017	2016
<b>ASSETS</b>				
<b>NON - CURRENT ASSETS</b>				
Property, plant and equipment	17	50,049,675	31,222,866	25,448,930
Investment properties	18	1,792,755	1,789,670	1,784,058
Intangibles	19	16,811	37,180	9,305
Long term loans to employees	20	9,472	5,799	5,628
Long term deposits	21	106,178	113,153	115,909
		<u>51,974,891</u>	<u>33,168,668</u>	<u>27,363,830</u>
<b>CURRENT ASSETS</b>				
Stores, spare parts and loose tools	22	7,554,693	7,303,150	5,901,992
Stock-in-trade	23	3,768,345	3,310,815	3,076,475
Trade debts	24	2,977,474	2,239,776	1,606,862
Loans and advances	25	3,253,082	963,596	1,005,586
Security deposits and short term prepayments	26	133,919	123,134	99,248
Accrued interest		2,454	2,628	1,857
Other receivables	27	970,407	1,693,947	1,099,546
Taxation - net		564,605	-	-
Short term investments	28	3,881,120	3,214,826	2,622,627
Cash and bank balances	29	1,104,743	1,817,174	846,084
		<u>24,210,842</u>	<u>20,669,046</u>	<u>16,260,277</u>
<b>TOTAL ASSETS</b>		<u><u>76,185,733</u></u>	<u><u>53,837,714</u></u>	<u><u>43,624,107</u></u>

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2018

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
REVENUE	30	43,467,343	41,247,500
COST OF SALES	31	(32,167,468)	(28,992,301)
GROSS PROFIT		11,299,875	12,255,199
DISTRIBUTION COST	32	(1,725,281)	(1,813,476)
ADMINISTRATIVE EXPENSES	33	(1,335,943)	(1,305,956)
OTHER EXPENSES	34	(591,850)	(700,974)
		(3,653,074)	(3,820,406)
OTHER INCOME	35	7,646,801 621,734	8,434,793 2,277,360
PROFIT FROM OPERATIONS		8,268,535	10,712,153
FINANCE COST	36	(1,167,391)	(441,964)
PROFIT BEFORE TAXATION		7,101,144	10,270,189
TAXATION	37	(1,384,635)	(3,018,385)
PROFIT AFTER TAXATION		5,716,509	7,251,804
SHARE OF PROFIT ATTRIBUTABLE TO: EQUITY HOLDERS OF HOLDING COMPANY		3,524,928	4,672,586
NON-CONTROLLING INTEREST		2,191,581	2,579,218
		5,716,509	7,251,804
			-----Rupees----- Restated
EARNINGS PER SHARE - BASIC AND DILUTED	38	11.95	16.38

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



CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2018

	2018 (Rupees in thousand)	2017
PROFIT AFTER TAXATION	5,716,509	7,251,804
OTHER COMPREHENSIVE INCOME / (LOSS)		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit liability	(27,012)	(19,408)
Related deferred income tax	6,737	4,892
	(20,275)	(14,516)
Gain on revaluation of land	20,591	23,119
	316	8,603
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year - net of tax	316	8,603
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>5,716,825</b>	<b>7,260,407</b>
SHARE OF TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
EQUITY HOLDERS OF HOLDING COMPANY	3,534,323	4,687,689
NON-CONTROLLING INTEREST	2,182,502	2,572,718
	<b>5,716,825</b>	<b>7,260,407</b>

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

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

	Note	2018 (Rupees in thousand)	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	39	8,735,608	10,318,410
Finance cost paid		(973,276)	(389,794)
Employee benefits paid		(40,084)	(27,256)
Income tax paid		(2,735,805)	(2,875,242)
Increase in retention money payable		310,735	-
Net increase in long term loans to employees		(3,673)	(171)
Net decrease in long term deposits		6,975	2,756
<b>Net cash generated from operating activities</b>		<b>5,300,480</b>	<b>7,028,703</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(21,438,841)	(8,007,663)
Intangibles		-	(31,701)
Interest received		52,859	32,161
Proceeds from sale of property, plant and equipment		70,800	242,442
Dividends received		7,007	132,932
<b>Net cash used in investing activities</b>		<b>(21,308,175)</b>	<b>(7,631,829)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		11,090,924	2,968,086
Repayment of long term financing		(272,328)	(163,380)
Decrease in long term deposits		16	2,200
Short term borrowings - net		3,662,731	1,367,705
Issue of right shares		2,910,093	-
Repayment of liabilities against assets subject to finance lease		(501,332)	(190,689)
Redemption of preference shares		-	(478)
Dividend paid		(1,594,840)	(2,409,228)
<b>Net cash from financing activities</b>		<b>15,295,264</b>	<b>1,574,216</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(712,431)</b>	<b>971,090</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,817,174</b>	<b>846,084</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>1,104,743</b>	<b>1,817,174</b>

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY										
Share Capital	Reserves					Total	Non-controlling interest	Total Equity		
	Capital Reserves		Revenue Reserves							
	Share premium	Surplus on revaluation of freehold land and investment properties	Sub - Total	General reserves	Unappropriated profit				Sub - Total	Total reserves
2,823,551	144,919	-	144,919	1,450,491	11,301,678	12,752,169	12,897,088	15,720,639	8,100,035	23,820,674
-	4,005,463	4,005,463	-	-	-	-	4,005,463	4,005,463	167,157	4,172,620
2,823,551	144,919	4,005,463	4,150,382	1,450,491	11,301,678	12,752,169	16,902,551	19,726,102	8,267,192	27,993,294
-	-	-	-	-	(847,065)	(847,065)	(847,065)	(847,065)	-	(847,065)
-	-	-	-	-	(564,710)	(564,710)	(564,710)	(564,710)	-	(564,710)
-	-	-	-	-	181,762	181,762	181,762	181,762	(181,762)	-
-	-	-	-	-	-	-	-	-	(1,063,456)	(1,063,456)
-	-	-	-	-	(1,230,013)	(1,230,013)	(1,230,013)	(1,230,013)	(1,245,218)	(2,475,231)
-	-	(12,456)	(12,456)	-	6,878	6,878	(5,578)	(5,578)	5,578	-
-	-	23,119	23,119	-	4,672,586	4,672,586	4,672,586	4,672,586	2,579,218	7,251,804
-	-	23,119	23,119	-	(8,016)	(8,016)	15,103	15,103	(6,500)	8,603
2,823,551	144,919	4,016,126	4,161,045	1,450,491	14,743,113	16,193,604	20,354,649	23,178,200	9,600,270	32,778,470
-	-	-	-	-	(423,533)	(423,533)	(423,533)	(423,533)	-	(423,533)
169,413	841,158	-	841,158	-	(352,944)	(352,944)	841,158	1,010,571	1,899,522	2,910,093
169,413	841,158	-	841,158	-	-	-	64,681	234,094	(812,341)	(612,341)
-	-	-	-	-	(776,477)	(776,477)	64,681	234,094	1,087,181	1,321,275
-	-	20,591	20,591	-	3,524,928	3,524,928	3,524,928	3,524,928	2,191,581	5,716,509
-	-	20,591	20,591	-	(11,196)	(11,196)	9,395	9,395	(9,079)	316
2,992,964	986,077	4,036,717	5,022,794	1,450,491	17,480,368	18,930,859	23,953,653	26,946,617	12,869,953	39,816,570

Balance as at 30 June 2016  
Impact of restatement (Note 2.28)

As at 30 June 2016 - restated

Transactions with owners:

- Final dividend for the year ended 30 June 2016 @ Rupees 3.00 per share
- Interim dividend for the year ended 30 June 2016 @ Rupees 1.50 per share
- Change in equity holders' interest due to further investment
- Dividend paid to non-controlling interest holders

Total transactions with owners

Reversal of revaluation surplus on disposal of freehold land

Profit for the year

Other comprehensive income / (loss) for the year

Total comprehensive income for the year

Balance as at 30 June 2017 - restated

Transactions with owners:

- Final dividend for the year ended 30 June 2017 @ Rupees 1.50 per share
- Interim dividend for the year ended 30 June 2018 @ Rupees 1.25 per share
- Issuance of right shares
- Dividend paid to non-controlling interest holders

Total transactions with owners

Profit for the year

Other comprehensive income for the year

Total comprehensive income for the year

Balance as at 30 June 2018

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 1.. THE GROUP AND ITS OPERATIONS

### 1.1 Holding Company

Kohinoor Textile Mills Limited (“the Holding Company”) is a public limited company incorporated in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. Registered office of the Holding Company is situated at 42-Lawrence Road, Lahore. The principal activity of the Holding Company is manufacturing of yarn and cloth, processing and stitching the cloth and trade of textile products.

### 1.2 Subsidiary companies

#### 1.2.1 Maple Leaf Cement Factory Limited (MLCFL)

Maple Leaf Cement Factory Limited (“the Subsidiary”) was incorporated in Pakistan on 13 April 1960 under the Companies Act, 1913 (now the Companies Act, 2017) as a public company limited by shares and was listed on stock exchanges in Pakistan on 17 August 1994. The registered office of MLCFL is situated at 42-Lawrence Road, Lahore. MLCFL is engaged in production and sale of cement.

#### 1.2.2 Maple Leaf Capital Limited (MLCL)

Maple Leaf Capital Limited (“the Subsidiary”) was incorporated in Pakistan on 25 April 2014 under the Companies Ordinance, 1984 (now the Companies Act, 2017) as public company. The registered office of MLCL is situated at 42-Lawrence Road, Lahore. The principal objects of MLCL are to buy, sell, hold, or otherwise acquire or invest the capital in any sort of financial instruments.

#### 1.2.3 Maple Leaf Power Limited (MLPL)

Maple Leaf Power Limited (“the Subsidiary”) was incorporated in Pakistan on 15 October 2015 as a public limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017). MLPL has been established to set up and operate a 40-megawatt power generation plant at Iskanderabad, District Mianwali for generation of electricity. The registered office of MLPL is located at 42-Lawrence Road, Lahore. The principal objective of MLPL is to develop, design, operate and maintain electric power generation plant and in connection therewith to engage in the business of generation, sale and supply of electricity to MLCFL.

MLPL was granted electricity generation license from National Electric and Power Regulatory Authority (NEPRA) on 20 December 2016. On 04 July 2017, MLPL has entered into Power Purchase agreement (PPA) with MLCFL which is valid for 20 years.

The Holding and Subsidiary companies are collectively referred to as “the Group” in these consolidated financial statements.

#### 1.2.4 Geographical location and addresses of all business units are as follows:

Sr. No.	Manufacturing units and office	Address
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#### Manufacturing units:

1	Spinning and Home textile units	Peshawar Road, Rawalpindi
2	Spinning unit	Gulyana Road, Gujar Khan, District Rawalpindi
3	Weaving unit	8 K.M. Manga Raiwind Road, District Kasur
4	Cement and Power plant	Iskanderabad, District Mianwali

Head office 42 Lawrence Road, Lahore.





### 1.2.5 Summary of significant transactions and events affecting the Group's financial position and performance

- a) The exchange rate of United States Dollar to Pak Rupees has increased from Pak Rupees 104.8 as at 30 June 2017 to Pak Rupees 121.40 as at 30 June 2018.
- b) MLCFL is in the process of installation of an additional Cement Line having cement manufacturing capacity of 7,300/- tons per day at its existing manufacturing premises, which will significantly affect the business volume and profitability of MLCFL. In this regard, MLCFL has arranged long term financing facilities aggregating Rupees 14,250 million.
- c) MLCFL started purchasing coal – based electricity from MLPL which commenced its commercial operations on 01 October 2017.
- d) Due to first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified.

## 2, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

### 2.1 Basis of preparation

#### a) Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### b) Preparation of consolidated financial statements under the Companies Act, 2017

The Fourth Schedule to the Companies Act, 2017 became applicable to the Group for the first time for the preparation of these consolidated financial statements. The Companies Act, 2017 (including its Fourth Schedule) forms an integral part of the statutory financial reporting framework applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Group, management assessment of sufficiency of tax provision in the consolidated financial statements, change in threshold for identification of executives, additional disclosure requirements for related parties etc.

c) **Accounting convention**

These consolidated financial statements have been prepared under the historical cost convention, except for the certain financial instruments, investment properties and freehold land which are carried at their fair values and certain employee retirement benefits which are carried at their present values.

d) **Functional and presentation currency**

These consolidated financial statements have been prepared in Pak Rupees which is the Group's functional currency.

e) **Critical accounting estimates and judgments**

The preparation of these consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgments were exercised in application of accounting policies are as follows:

**Useful lives, patterns of economic benefits and impairments**

Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Group. Further, the Group reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

**Inventories**

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

**Taxation**

In making the estimates for income tax currently receivable by the Group, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

**Financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at consolidated statement of financial position date.

**Classification of investments**

The management of the Group determines the appropriate classification of its investments at the time of purchase or increase in holding and classifies its investments at fair value through profit or loss, available for sale and held to maturity. The classification depends on the purpose for which the investments were acquired.

### Employee benefits

The Subsidiary Companies Maple Leaf Cement Factory Limited (MLCFL) and Maple Leaf Power Limited (MLPL) operate approved funded gratuity schemes covering all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. The gratuity scheme is managed by trustees. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market - related value at the beginning of the year. Gratuity cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

### Provisions for doubtful debts

The Group reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

### Property, plant and equipment

The Group reviews the useful lives and residual values of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

### Impairment

The management of the Group reviews carrying amounts of its assets including receivables and advances and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

### Provisions and contingencies

The Group reviews the status of all pending litigations and claims against the Group. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the consolidated statement of financial position date.

#### f) Amendments to published approved accounting standards that are effective in current year and are relevant to the Group

The following amendments to published approved accounting standards are mandatory for the Group's accounting periods beginning on or after 01 July 2017:

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments have resulted in certain additional disclosures in the Group's consolidated financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments have no significant impact on Group's consolidated financial statements.

On 8 December 2016, IASB issued Annual Improvements to IFRSs: 2014 – 2016 Cycle, incorporating amendments to three IFRSs more specifically in IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2017). IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified, or included in a disposal group that is classified, as held for sale (in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations). The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments have no impact on the Group's consolidated financial statements.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

g) **Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Group**

Following standards, interpretations and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2018 or later:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 July 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Group's consolidated financial statements.



IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Group's consolidated financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Group's consolidated financial statements.

IAS 28 (Amendments) 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2019). The IASB has clarified that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments are not likely to have significant impact on the Group's consolidated financial statements.

IAS 40 (Amendments), 'Investment Property' (effective for annual periods beginning on or after 01 January 2018). The amendments clarify that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have a significant impact on the Group's consolidated financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Group's consolidated financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The management of the Group is in the process of evaluating the impacts of the aforesaid amendments on the Group's consolidated financial statements.

On 8 December 2016, IASB issued Annual Improvements to IFRSs: 2014 – 2016 Cycle, incorporating amendments to three IFRSs more specifically in IAS 28. These amendments are effective for annual periods beginning on or after 01 January 2018. These amendments have no significant impact on the Group's consolidated financial statements and have therefore not been analyzed in detail.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Group's consolidated financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use statement of comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, de-recognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.



- h) Standards, interpretations and amendments to approved published standards that are not yet effective and not considered relevant to the Group

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2018 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

## 2.2 Basis of consolidation

Subsidiary Company is that entity in which Holding Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Companies are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of the Subsidiary Companies have been consolidated on a line by line basis and carrying value of investment held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Companies.

Intra-group balances and transactions have been eliminated.

Non-controlling interest is that part of net results of the operations and of net assets of Subsidiary Companies attributable to interest which are not owned by the Holding Company. Non-controlling interest is presented as separate item in the consolidated financial statements.

## 2.3 Employee benefit

- i) Defined contribution plan

The Group operates an approved funded provident fund scheme covering all permanent employees. Equal monthly contributions are made both by the Group and employees to the fund. The Group's contributions to the fund are charged to consolidated statement of profit or loss.

- ii) Defined benefit plan

The MLCFL operate approved funded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to consolidated statement of profit or loss.

MLCFL net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the MLCFL, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in consolidated statement of comprehensive income. MLCFL determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan is recognized in the consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statement of profit or loss. MLCFL recognize gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Details of the scheme are given in note 9 to the consolidated financial statements.

### iii) Liability for employees' compensated absences

The MLCFL accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Provision to cover the obligations is made using the current salary level of employees.

## 2.4 Taxation

### Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of the assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date. Deferred tax is charged or credited in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in the consolidated statement of comprehensive income or directly in equity. In this case the tax is also recognised in the consolidated statement of comprehensive income or directly in equity, respectively.

## 2.5 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.





## 2.6 Property, plant, equipment and depreciation

### Owned

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection/ construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Freehold land is stated at revalued amount less any identified impairment loss. Capital work-in-progress is stated at cost less any recognised impairment loss.

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

Increases in the carrying amounts arising on revaluation of freehold land are recognized, in consolidated statement of comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the consolidated statement of profit or loss, the increase is first recognized in the consolidated statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in consolidated statement of comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the consolidated statement of profit or loss.

### Leased

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to consolidated statement of profit or loss over the lease term.

Depreciation of assets subject to finance lease is recognised in the same manner as for owned assets. Depreciation of the leased assets is charged to the consolidated statement of profit or loss.

### Depreciation

Depreciation on property, plant and equipment is charged to the consolidated statement of profit or loss applying the reducing balance method except that straight-line method is used for the plant and machinery and buildings of MLCFL relating to dry process plant after deducting residual value, so as to write off the cost / depreciable amount of the asset over their estimated useful lives at the rates given in Note 17.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. The residual values and useful lives of assets are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

## De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the consolidated statement of profit or loss in the year the asset is de-recognised.

## 2.7 Investment properties

Land and buildings held for capital appreciation or to earn rental income are classified as investment properties. Investment properties are carried at fair value which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The valuation of the properties is carried out with sufficient regularity.

Gain or loss arising from a change in the fair value of investment properties is recognised in the consolidated statement of profit or loss for the year in which it arises.

## 2.8 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognised at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditure relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortization method is reviewed and adjusted, if appropriate, at each consolidated statement of financial position date.

## 2.9 Leases

Leases are classified as finance lease whenever terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The liability to the lessor is included in the consolidated statement of financial position as liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to consolidated statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

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

## 2.10 Investments

Classification of investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "investment at fair value through profit or loss" which is initially measured at fair value.



The Group assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Group applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments.

a) **Investment at fair value through profit or loss**

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognised in the consolidated statement of profit or loss.

b) **Held-to-maturity**

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognised amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognised in the consolidated statement of profit or loss when the investments are de-recognised or impaired, as well as through the amortization process.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has positive intention to hold to maturity. Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortized cost using the effective interest method, less any impairment loss, if any.

c) **Available-for-sale**

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

**Quoted**

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

**Unquoted**

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 "Financial Instruments: Recognition and Measurement".

## 2.11 Loans and receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated statement of profit and loss over the period of the investments on an effective yield method less impairment loss, if any.

## 2.12 Inventories

Inventories, except for stock in transit and waste stock / rags, are stated at lower of cost and net realizable value. Cost is determined as follows:

### Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

### Stock-in-trade

Cost of raw material, work-in-process and finished goods are determined as follows:

- (i) For raw materials: Annual average basis
- (ii) For work-in-process and finished goods: Average manufacturing cost including a portion of production overheads

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock / rags are valued at net realizable value.

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

## 2.13 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

## 2.14 Borrowings

Borrowings are recognised initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

## 2.15 Borrowing cost

Interest, markup and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long - term finances. All other interest, markup and other charges are recognised in the consolidated statement of profit or loss.



## 2.16 Trade and other payables

Liabilities for trade and other amounts payable are initially recognised at fair value, which is normally the transaction cost.

## 2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

## 2.18 Share capital

Ordinary shares of the Holding Company are classified as share capital.

## 2.19 Revenue recognition

Revenue from different sources is recognised as under:

- a) Revenue from local sales is recognised on dispatch of goods to customers while in case of export sales it is recognised on the date of bill of lading.
- b) Dividend on equity investments is recognised when right to receive the dividend is established.
- c) Profit on deposits with banks is recognised on time proportion basis taking into account the amounts outstanding and rates applicable thereon.
- d) Realized capital gain / (losses) arising on sale of investments are included in the profit or loss on the date at which the transaction takes place.
- e) Unrealized capital gains / (losses) arising on making to market of investments classified as 'Financial assets at fair value through profit or loss' are included in the profit or loss in the period in which they arise.
- f) Income on long term loans, bank deposits and placements is recognized on accrual basis.

## 2.20 Foreign currencies

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the consolidated statement of financial position date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the consolidated statement of profit or loss.

## 2.21 Financial instruments

Financial instruments carried on the consolidated statement of financial position include investments, deposits, trade debts, advances, accrued interest, other receivables, cash and bank balances, long-term financing, liabilities against assets subject to finance lease, short-term borrowings, accrued mark up and trade and other payables etc. Financial assets and liabilities

are recognised when the Group becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for “financial instrument at fair value through profit or loss” which are initially measured at fair value.

Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial asset. The Group loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Group surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and derecognition is charged to the consolidated statement of profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

The fair value of financial instruments that are not traded in an open market is determined by using valuation techniques based on assumptions that are depended on conditions existing at the consolidated statement of financial position date.

## 2.22 Impairment

### a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

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 amounts of the Group’s non-financial assets are reviewed at each consolidated statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in consolidated statement of profit or loss except for impairment loss on revalued asset, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

The Group reviews the useful lives and residual values of Property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of Property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

## 2.23 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognised in the consolidated statement of financial position at estimated fair value with corresponding effect to consolidated statement of profit or loss. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.



## 2.24 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Group has six reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibers), Weaving (Producing different quality of greige fabric using yarn), Processing and Home Textile (Processing greige fabric for production of printed and dyed fabric and manufacturing of home textile articles), Power (generation of electricity), Investment (invest the capital in any sort of financial instruments and commodities) and Cement.

Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

## 2.25 Dividend and other appropriations

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are declared and other appropriations are recognised in the period in which these are approved by the Board of Directors.

## 2.26 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## 2.27 Government Grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

## 2.28 Change in accounting policies

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

Following the application of IAS 16, the Group's accounting policy for surplus on revaluation of freehold land and investment properties stands amended as follows:

#### Freehold land

Increases in the carrying amounts arising on revaluation of freehold land are recognized, in consolidated statement of comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the consolidated statement of profit or loss, the increase is first recognized in the consolidated statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in consolidated statement of comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the consolidated statement of profit or loss.

#### Investment properties

Surplus on revaluation of investment properties has now been included in shareholders equity.

These changes in accounting policies have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarized below:

	30-Jun-17			30-Jun-16		
	As previously reported	As re-stated	Restatement	As previously reported	As re-stated	Restatement

(Rupees in thousand)

#### Effect on consolidated statement of financial position

Surplus on revaluation of freehold land and investment properties	4,183,283	-	(4,183,283)	4,172,620	-	(4,172,620)
Capital reserve	-	4,016,126	4,016,126	-	4,005,463	4,005,463
Non-controlling interest	-	-	-	-	167,157	167,157

#### Effect on consolidated statement of changes in equity

Surplus on revaluation of freehold land and investment properties	-	4,016,126	4,016,126	-	4,005,463	4,005,463
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For the year ended 30 June 2017		
As previously reported	As re-stated	Restatement

(Rupees in thousand)

#### Effect on consolidated statement of comprehensive income

Surplus on revaluation of freehold land and investment properties	-	23,119	23,119
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There was no impact on consolidated statement of cash flows as a result of the retrospective application of change in accounting policy.





### 3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2018 (Number of Shares)		2017		2018 (Rupees in thousand)		2017 (Rupees in thousand)	
1,596,672	1,596,672	Ordinary shares of Rupees 10 each allotted on reorganization of Kohinoor Industries Limited		15,967	15,967		
26,156,000	26,156,000	Ordinary shares allotted under scheme of arrangement of merger of Part II of Maple Leaf Electric Company Limited		261,560	261,560		
26,858,897	26,858,897	Ordinary shares allotted under scheme of arrangement of merger of Kohinoor Raiwind Mills Limited and Kohinoor Gujar Khan Mills Limited		268,589	268,589		
75,502,560	75,502,560	Ordinary shares of Rupees 10 each issued as fully paid bonus shares		755,025	755,025		
169,182,327	152,241,019	Ordinary shares of Rupees 10 each issued as fully paid in cash		1,691,823	1,522,410		
<u>299,296,456</u>	<u>282,355,148</u>			<u>2,992,964</u>	<u>2,823,551</u>		

- 3.1 During the year ended 30 June 2018, the Holding Company issued 16,941,308 right shares at Rupees 60 per share at a premium of Rupees 50 per share. The Holding Company utilised the proceeds to finance the subscription of 12.50% right shares of Maple Leaf Cement Factory Limited, a subsidiary company.

		Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
<b>4. RESERVES</b>				
Composition of reserves is as follows:				
<b>Capital reserves</b>				
Share premium		4.1	986,077	144,919
<b>Surplus on revaluation of freehold land and investment properties</b>				
Freehold land				
As at 01 July			2,752,534	2,741,871
Less: Surplus on disposal of land during the year			-	(12,456)
Increase due to revaluation to fair value		17.1	20,591	23,119
As at 30 June			2,773,125	2,752,534
Investment properties			1,263,592	1,263,592
			4,036,717	4,016,126
			5,022,794	4,161,045
<b>Revenue reserves</b>				
General reserve			1,450,491	1,450,491
Unappropriated profit			17,480,368	14,743,113
			18,930,859	16,193,604
			<u>23,953,653</u>	<u>20,354,649</u>

- 4.1 This reserve can be utilized by the Group only for the purposes specified in section (81) of the Companies Act, 2017.

	Note	2018 (Rupees in thousand)	2017
<b>5. NON-CONTROLLING INTEREST</b>			
Opening balance		9,600,270	8,100,035
Impact of restatement (Note 2.28)		-	167,157
		9,600,270	8,267,192
Add / (less): Share during the year:			
Reversal of revaluation surplus on disposal of land		-	5,578
Share in right issue		1,899,522	-
Change in equity holders' interest due to further investment		-	(181,762)
Other comprehensive loss for the year		(9,079)	(6,500)
Profit for the year		2,191,581	2,579,218
		4,082,024	2,396,534
Less : Dividend paid		(812,341)	(1,063,456)
		12,869,953	9,600,270
<b>6. LONG TERM FINANCING</b>			
From banking companies and other financial institutions - secured			
Holding Company	6.1	1,723,400	1,553,740
Subsidiary Company - MLCFL	6.2	13,752,696	3,103,760
		15,476,096	4,657,500
Less: Current portion shown under current liabilities	15	1,198,917	471,390
		14,277,179	4,186,110



LENDER	2018	2017	TOTAL FACILITY	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
.....Rupees in thousand.....								
<b>6.1 Holding Company</b>								
Askari Bank Limited	75,000	125,000	150,000	3 Month KIBOR + 1.50%	Twelve equal quarterly installments commenced from 28 February 2017 and ending on 30 November 2019.	Quarterly	Quarterly	First pari passu hypothecation charge of Rupees 200 million on all present and future fixed assets (excluding land and building) of Raiwind Division and personal guarantees of the sponsor directors.
The Bank of Punjab	426,380	557,262	600,000	SBP LTFF rate + 2.50%	Sixteen equal quarterly installments commenced from 09 September 2016 and ending on 09 November 2021.	-	Quarterly	First pari passu mortgage charge amounting to Rupees 934 million (inclusive of 25% margin) on the Company's land measuring 43 Acres 07 Kanals and 12 Marlas situated at Peshawar Road, Rawalpindi.
The Bank of Punjab	142,605	-	400,000	SBP LTFF rate + 1%	Thirty six equal quarterly installments after expiry of grace period of one year for every tranche from date of disbursement.	-	Quarterly	First pari passu charge of Rupees 534 million (inclusive of 25% margin) over fixed assets (plant and machinery) of the Company.
MCB Bank Limited (Formerly NIB Bank Limited)	184,875	237,647	350,000	SBP LTFF rate + 2.5%	Twenty four equal quarterly installments after expiry of grace period of one year commenced from 17 November 2015 and ending on 17 August 2021.	-	Quarterly	First pari passu charge over fixed assets amounting to Rupees 467 million of Raiwind Division and personal guarantees of the sponsor directors.
National Bank of Pakistan	417,989	179,704	500,000	SBP LTFF rate + 1.25%	Twelve equal half yearly installments after expiry of grace period of one and a half year commenced from 30 June 2018 and ending on 08 June 2024.	-	Half yearly	First pari passu charge over fixed assets of the Company (plant and machinery) amounting to Rupees 667 million.
PAIR Investment Company Limited	209,859	171,746	300,000	SBP LTFF rate + 1.5%	Twenty four equal quarterly installments after expiry of grace period of sixteen months commencing from 17 July 2018 and ending on 12 April 2024.	-	Quarterly	First pari passu charge over fixed assets (excluding land and building) amounting to Rupees 400 million of Rawalpindi and Gujjar Khan Divisions and personal guarantees of the sponsor directors.
Askari Bank Limited	266,692	282,381	350,000	SBP LTFF rate + 1.25%	Thirty six equal quarterly installments commenced from 28 January 2018 and ending 31 October 2026.	-	Quarterly	First pari passu charge of Rupees 467 million on all present and future fixed assets (land, building, plant and machinery) of Raiwind Division.
	<u>1,723,400</u>	<u>1,553,740</u>	<u>2,650,000</u>					

LENDER	2018	2017	TOTAL FACILITY	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
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.....Rupees in thousand.....

#### 6.2 Subsidiary Company (MLCFL)

Askari Bank Limited	475,000	500,000	500,000	3 Month KIBOR + 1.25%	Twenty (20) equal, consecutive, quarterly installments of Rupees 25 million commencing from 04 June 2018 to 04 March 2023.	Quarterly	Quarterly in arrears	Joint pari passu hypothecation charge and equitable mortgage charge of Rupees 667 million over all present and future plant and machinery and land and building respectively of cement unit-2. Disbursement has been made in tranches against ranking charge on all present and future plant and machinery of MLCFL that shall be upgraded / replaced by aforesaid charge within 180 days from 1st draw down. Personal guarantees also provided by Mr. Tariq Sayeed Saigol and Mr. Sayeed Tariq Saigol (sponsoring directors) duly supported by net worth statements.
The Bank of Punjab	1,268,590	1,252,580	1,500,000	3 Month KIBOR + 1.25%	Twenty (20) equal, consecutive, quarterly installments of Rupees 75 million each starting from 31 March 2018 to 25 March 2023. Prepayment can be made after two (2) years of completion of draw down, with a 30 days prior notice to the lenders without early payment penalty.	Quarterly	Quarterly	1st joint pari passu hypothecation charge and equitable mortgage charge over all present and future fixed assets of MLCFL with 25% margin. It is also secured by lien over import documents. A floating charge on fixed assets of MLPL shall be registered with 25% margin, before establishment of LCs, which shall be upgraded to 1st joint pari passu, once all the assets are reached at project site and ready for installation. Personal guarantees by Mr. Tariq Sayeed Saigol and Mr. Sayeed Tariq Saigol (sponsoring directors) duly supported by net worth statements and cross corporate guarantee of MLCFL and MLPL has also been provided.



LENDER	2018	2017	TOTAL FACILITY	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
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.....Rupees in thousand.....

#### 6.2 Subsidiary Company (MLCFL)

National Bank of Pakistan	876,497	675,590	1,000,000	3 Month KIBOR + 1.25%	Twenty (20) equal quarterly installments of Rupees 50 million each starting from 30 April 2018 to 30 January 2023.	Quarterly	Quarterly in arrears	1st joint pari passu hypothecation charge and equitable mortgage charge over all present and future fixed assets of the MLCFL amounting to Rupees 1,334 million. Disbursement is being made in tranches against ranking charge of Rupees 1334 million over all present and future fixed assets of the MLCFL that shall be upgraded / replaced by aforesaid charge within 120 days from 1st draw down. Personal guarantees also provided by Mr. Tariq Sayeed Saigol and Mr. Sayeed Tariq Saigol (sponsoring directors).
Askari Bank Limited	939,981	-	1,000,000	3 Month KIBOR + 75bps payable quarterly in arrears to be set on day of first draw down and then on 1st working day of each quarter	28 equal quarterly installments with first installment beginning on 27 March 2020	Quarterly	Quarterly	Joint pari passu charge over fixed assets and all present and future plant and machinery of the Company.
The Bank of Punjab	1,415,704	-	2,000,000	3 Month KIBOR + 75bps payable quarterly in arrears to be reset on 1st working day of each calendar quarter	28 equal quarterly installments beginning on 31 December 2019	Quarterly	Quarterly	Joint pari passu charge over fixed assets and all present and future plant and machinery of the Company.
MCB Bank Limited	1,322,699	-	2,000,000	3 Month KIBOR + 75bps payable quarterly in arrears to be reset on 1st working day of each calendar quarter	22 equal quarterly installments beginning on 01 May 2019	Quarterly	Quarterly	Joint pari passu charge over all present and future fixed assets of the Company with 25% margin.

LENDER	2018	2017	TOTAL FACILITY	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
.....Rupees in thousand.....								
Samba Bank Limited - Term Finance	750,000	-	750,000	3 Month KIBOR + 75bps payable quarterly in arrears to be reset on 1st working day of each calendar quarter	20 equal quarterly installments beginning on 20 March 2020	Quarterly	Quarterly	Joint pari passu charge over fixed assets and all present and future plant and machinery of the Company.
MCB Bank Limited (Formerly NIB Brak Limited) - Term Finance	984,505	-	2,000,000	3 Month KIBOR + 0.75% payable quarterly in arrears to be set on the date of first disbursement and sunsequently last 7 days avg of 3MK during last quarter to be reset on quarterly basis.	28 equal quarterly installments beginning on 15 August 2020	Quarterly	Quarterly	Joint pari passu charge over fixed assets and all present and future plant and machinery of the Company.
MCB Islamic Bank Limited - Diminishing Musharikhah	900,000	-	1,500,000	3 Month KIBOR + 0.7% payable quarterly in arrears to be set on the date of first working day of disbursement and to be reset on 1st working day of calendar quarter.	24 equal quarterly installments beginning on 01 June 2020	Quarterly	Quarterly	Joint pari passu charge over fixed assets and all present and future plant and machinery of the Company.
Habib Bank Limited - Term Finance	500,000	-	1,000,000	3 Month KIBOR + 75bps payable quarterly in arrears to be set on last business day before first draw down and then on immediately preceding day of each quarter	28 equal quarterly installments beginning on 01 March 2020	Quarterly	Quarterly	Joint pari passu charge over fixed assets and all present and future plant and machinery of the Company.
National Bank of Pakistan - Demand Finance	3,079,138	-	4,000,000	3 Month KIBOR + 75bps payable quarterly in arrears to be set on last business day before first draw down and then on immediately preceding day of each quarter	28 equal quarterly installments beginning on 30 June 2020	Quarterly	Quarterly	Joint pari passu charge over fixed assets and all present and future plant and machinery of the Company.



LENDER	2018	2017	TOTAL FACILITY	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
.....Rupees in thousand.....								
6.2 Subsidiary Company (MLCFL)								
MCB Islamic Bank Limited - Diminishing Musharikah	500,000	-	500,000	3 Month KIBOR + 0.7% payable quarterly in arrears to be set on the date of first disbursement and subsequently at the beginning of each Calander quarter.	24 equal quarterly installments beginning on 13 December 2018	Quarterly	Quarterly	1st joint pari passu hypothecation charge and equitable mortgage charge over all present and future fixed assets of the Company amounting to Rs. 667 million; and personal guarantees also provided by Mr. Tariq Sayeed Saigol and Mr. Sayeed Tariq Saigol (sponsoring directors).
MCB Bank Limited	740,582	675,590	1,000,000	3 Month KIBOR + 1.15%	Twenty two (22) equal, consecutive, quarterly installments of Rupees 45.45 million each starting from 14 October 2017 to 14 Jan 2023. Prepayment can be made after two (2) years with a 30 days prior notice.	Quarterly	Quarterly	1st joint pari passu hypothecation charge and equitable mortgage charge over all present and future fixed assets of the MLCFL with 25% margin. Personal guarantees also provided by Mr. Tariq Sayeed Saigol and Mr. Sayeed Tariq Saigol.(sponsoring directors) duly supported by net worth statements.
Total	13,752,696	3,103,760	18,750,000					

6.3 As per the financing document the Group is required to comply with certain financial covenants which mainly include minimum current ratio, minimum debt service coverage ratio, minimum interest coverage ratio, gearing ratio and maximum leverage ratio. Further, the Group is required to comply with certain conditions imposed by the providers of finance to make dividend payment.

6.4 The MLCFL has un-availed long term facilities amounting to Rupees 4,997.30 million (2017: Rupees 11,000 million).

	Note	2018 (Rupees in thousand)	2017
<b>7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Future minimum lease payments		-	521,591
Less: Un-amortized finance charges		-	20,259
Present value of future minimum lease payments		-	501,332
Less: Current portion shown under current liabilities	15	-	230,717
		-	270,615

7.1 During the current year MLCFL has made early repayment of six outstanding quarterly repayments amounting to Rupees 479.69 million (US Dollars 4.57 million) that was originally due to be repaid by December 2018.

## 8. LONG TERM DEPOSITS

These represent deposits received from dealers and are being utilized by the Subsidiary Company - MLCFL in accordance with the terms of dealership agreements.

	Note	2018 (Rupees in thousand)	2017
<b>9. RETIREMENT BENEFITS</b>			
<b>Subsidiary - MLCFL</b>			
Accumulated compensated absences	9.1	102,396	76,360
Gratuity	9.2	81,368	74,418
		183,764	150,778
<b>9.1 Accumulated compensated absences</b>			
Balance at the beginning of the year		76,360	57,059
Provision made during the year		35,607	29,825
Payments made during the year		(9,571)	(10,524)
Balance at the end of the year		102,396	76,360

## 9.2 Gratuity

The latest actuarial valuation of the Subsidiary Company's (MLCFL) defined benefit plan, was conducted on 30 June 2018 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:





	Note	2018 (Rupees in thousand)	2017
The amounts recognized in the statement of financial position are as follows:			
Present value of defined benefit obligation	9.2.1	146,800	153,921
Fair value of plan assets	9.2.2	(65,432)	(79,503)
Deficit in the plan		81,368	74,418
Net liability at beginning of the year		74,418	62,724
Charge to statement of profit or loss for the year	9.2.3	10,451	9,018
Charge to other comprehensive income for the year	9.2.3	27,012	19,408
Contributions made during the year		(30,513)	(16,732)
Net liability at end of the year		81,368	74,418
<b>9.2.1 Movement in the present value of defined benefit obligation is as follows:</b>			
Present value of defined benefit obligation at beginning of the year		153,921	131,316
Current service cost		5,866	5,076
Interest cost		10,746	8,914
Benefits paid		(30,513)	(16,732)
Actuarial loss on present value of defined benefit obligation		6,780	25,347
Present value of defined benefit obligation		146,800	153,921
<b>9.2.2 Movement in the fair value of plan assets is as follows:</b>			
Fair value of plan assets at beginning of the year		79,503	68,592
Expected return on plan assets		6,161	4,972
Contributions made during the year		30,513	16,732
Benefits paid during the year		(30,513)	(16,732)
Actuarial loss / (gain) on plan assets		(20,232)	5,939
Fair value of plan assets at end of the year		65,432	79,503
<b>Plan assets comprise of:</b>			
MCB Bank Limited (previously NIB Bank Limited) including accrued interest		-	37,000
NAFA Government Securities Liquid Fund		18,525	19,435
Trust Investment Bank including accrued interest		-	15,000
Habib Metropolitan Bank Limited		44,000	-
Cash at bank		2,907	8,068
		65,432	79,503

	2018	2017
Plan assets comprise of:		
Equity	28.31%	24.45%
Cash at bank	71.69%	75.55%
	<u>100.00%</u>	<u>100.00%</u>
	2018	2017
	(Rupees in thousand)	

### 9.2.3 Charge for the year:

In statement of profit or loss		
Current service cost	5,866	5,076
Interest cost	10,746	8,914
Expected return on plan assets	(6,161)	(4,972)
	<u>10,451</u>	<u>9,018</u>
In statement of comprehensive income		
Actuarial loss on retirement benefits - net	27,012	19,408
	<u>37,463</u>	<u>28,426</u>

### 9.2.4 Movement in actuarial gain is as follows:

As at beginning of the year	-	-
Actuarial gain on plan assets	(20,232)	(5,939)
Remeasurement of loss on defined benefit obligation	6,780	25,347
Unrecognized actuarial loss / (gain) on defined benefit obligation recognized in other comprehensive income	13,452	(19,408)
As at end of the year	<u>-</u>	<u>-</u>

	2018	2017
Actuarial assumptions:		
The following are the principal actuarial assumptions at 30 June:		
Discount rate used for year end obligation	9.00%	7.25%
Expected return on plan assets	7.75%	7.25%
Expected rate of growth per annum in future salaries	8.00%	6.75%
Expected mortality rate	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Retirement assumptions	60 years	60 years

9.2.5 MLCFL expects to charge Rupees 10.28 million to consolidated statement of profit or loss on account of defined benefit plan in the year ending 30 June 2019.



### 9.2.6 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at 30 June 2018 would have been as follows:

	Gratuity Impact on present value of defined benefit obligation	
	Increase (Rupees in thousand)	Decrease
Discount rate + 100 bps	140,003	154,146
Future salary increase + 100 bps	154,146	139,883

The sensitivity analysis of the defined benefit obligation to the significant actuarial assumptions has been performed using the same calculation techniques as applied for calculation of defined benefit obligation reported in the consolidated statement of financial position.

As at 30 June 2018, the weighted average duration of the defined benefit obligation is six years (2017: six years).

## 10. RETENTION MONEY PAYABLE

This amount represents retention money payable by MLCFL to M/s FLS Smidth amounting to Euro 3.43 million (equivalent to Rupees 380.66 million at the exchange rate prevailing on the date of signing of contract, i.e. 16 January 2017) on purchase of plant and machinery. The amount is payable after two years from the date of commencement of commercial production of new cement plant under construction at Iskandrabad, District Mianwali and has been accounted for at present value using discount rate of 7% per annum with the corresponding adjustment amounting to Rupees 69.92 million in cost of respective asset.

	Note	2018 (Rupees in thousand)	2017
<b>11. DEFERRED INCOME TAX LIABILITY</b>			
This comprises of following:			
Deferred tax liability on taxable temporary differences in respect of:			
Accelerated tax depreciation		2,894,120	3,223,876
Short term investments		16,008	-
Unrealised gain on remeasurement of futures contracts - gold		507	-
		2,910,635	3,223,876
Deferred tax asset on deductible temporary differences in respect of:			
Short term investments		-	(2,034)
Lease finances		-	(16,807)
Provision for slow moving stores and spares		(354)	-
Provision for doubtful debts and advances		(9,251)	-
Unrealised loss on re-measurement of futures contracts - shares		(1,902)	-
Employees' retirement benefits		(48,678)	(37,996)
		(60,185)	(56,837)
		2,850,450	3,167,039
Movement in deferred tax balances is as follows:			
At beginning of the year		3,167,039	3,155,036
Recognized in statement of profit or loss account:		3,167,039	3,155,036
Accelerated tax depreciation on fixed assets		(329,756)	18,277
Short term investments		18,042	(34,037)
Liabilities against assets subject to finance lease		16,807	35,719
Employees' retirement benefits		(3,947)	(3,278)
Provision for slow moving stores and spares		(354)	214
Provision for doubtful debts and advances		(9,251)	-
Unrealised gain on remeasurement of futures contracts-gold		507	-
Unrealised loss on re-measurement of futures contracts - shares		(1,902)	-
	37	(309,854)	16,895
Recognized in other comprehensive income:		(6,735)	(4,892)
Employees' retirement benefits		(6,735)	(4,892)
		2,850,450	3,167,039



	Note	2018 (Rupees in thousand)	2017
<b>12. TRADE AND OTHER PAYABLES</b>			
Creditors		2,916,205	1,667,575
Bills payable - secured	12.1	691,727	3,955
Accrued liabilities	12.2	1,109,233	1,076,052
Security deposits, repayable on demand	12.3	57,836	55,976
Advances from customers		340,977	335,283
Contractors' retention money		250,504	133,524
Royalty and excise duty payable		31,783	33,569
Workers' profit participation fund	12.4	1,423,082	1,332,987
Workers' welfare fund		133,485	186,382
Excise duty payable		-	203,091
Withholding tax payable		54,162	120,622
Payable to employees' provident fund trust		20,171	17,584
Sales tax payable		-	234,507
Others		50,174	108,035
		<b>7,079,339</b>	<b>5,509,142</b>

**12.1** These facilities have been obtained from various banking companies for working capital requirement and are secured by charge over current and future assets of MLCFL, personal guarantees of the directors, pledge of stock, lien over import documents and title of ownership of goods imported under letters of credit. These facilities will be expiring on various dates by 30 June 2019.

**12.2** This includes Rupees 281.720 million booked on account of Gas Infrastructure Development Cess (GIDC) for the period from September 2014 to June 2018. The MLCFL, along with various other companies has challenged the legality and validity of levy and demand of GIDC in Honorable Lahore High Court which is pending adjudication. However, on a prudent basis, the Group has recorded the GIDC amount for the mentioned period. Further, due to non payment, default surcharge of Rupees 202.170 million has been imposed on MLCFL, which has not been recorded in these consolidated financial statements based on the opinion of legal advisor. The management is hopeful that MLCFL will not be required to pay the default surcharge.

**12.3** This represents security deposits received from distributors and contractors of MLCFL. Distributors and contractors have given MLCFL a right to utilize deposits in ordinary course of business.

	Note	2018 (Rupees in thousand)	2017
<b>12.4 Workers' profits participation fund</b>			
Balance as on 01 July		1,332,987	967,132
Allocation for the year	34	379,134	501,390
Interest for the year	36	27,132	14,958
		<b>1,739,253</b>	<b>1,483,480</b>
<b>Less:</b> Payments during the year		<b>(316,171)</b>	<b>(150,493)</b>
		<b>1,423,082</b>	<b>1,332,987</b>

12.4.1 The outstanding WPPF liability of MLCFL includes Rupees 964.56 million being the left over amount out of the total WPPF liability of Rupees 1,140.47 million pertaining to the financial year ended 30 June 2012 to 30 June 2017. The WPPF liability represents leftover amount payable to Workers Welfare Fund in terms of Companies Profits Worker's Participation Act, 1968. According to the 18th amendment to the Constitution of Pakistan in 2010, all labour / labour welfare laws have become provincial subject, and accordingly the left over amount is no more payable to the Federal Treasury. Major strength of MLCFL's employees eligible for benefit of WPPF are working in the Province of Punjab and accordingly potential amount of left over amount of WPPF is required to be paid to the relevant provincial authority as held by the Honourable Sindh High Court in its judgment in C.P. No. D-1313 of 2013 announced on 12 February 2018. The Government of Punjab has enacted Companies Profits (Workers' Participation) (Amendment) Ordinance, 2018 which is silent about the payment of the amount in excess of employees' entitlement. Accordingly the amount has been withheld by the MLCFL. Further, based on MLCFL's legal advisor, management is of the view that no mark up is due on this unpaid amount.

	Note	2018 (Rupees in thousand)	2017
<b>13. ACCRUED MARK-UP</b>			
Long term financing		209,467	69,037
Short term borrowings		130,341	75,738
Liabilities against assets subject to finance lease		-	918
		<u>339,808</u>	<u>145,693</u>
<b>14. SHORT TERM BORROWINGS</b>			
From banking companies - secured			
Short term running finances	14.1 & 14.2 & 14.6	5,149,335	3,443,858
Other short term finances	14.1 & 14.3	2,094,825	403,131
State Bank of Pakistan (SBP) refinances	14.1 & 14.4	2,575,000	2,417,000
		<u>9,819,160</u>	<u>6,263,989</u>
Temporary bank overdraft - unsecured	14.5	169,596	62,036
		<u>9,988,756</u>	<u>6,326,025</u>

14.1 These finances are obtained from banking companies under mark-up arrangements and are secured by pledge of raw material, charge on current assets of the Group including hypothecation of work-in-process, stores and spares, letters of credit, firm contracts, book debts and personal guarantees of the sponsor directors. These form part of total credit facilities of Rupees 12,568 million (2017: Rupees 10,060 million).

14.2 The rates of mark-up range from 2.75% to 21% (2017: 1.90% to 16.78%) per annum on balance outstanding.

14.3 The rates of mark-up range from 2.5% to 8.26% (2017: 2.5% to 8.55%) per annum on balance outstanding.

14.4 The rate of mark-up was 3% (2017: 3%) per annum on balance outstanding.

14.5 This represents temporary overdraft due to cheques issued in excess of balance with banks which will be presented for payment in subsequent period.



- 14.6 This includes a facility which has been obtained by MLPL as finance against trust receipt from a commercial bank for working capital requirements amounting to Rupees 500 million and is secured by charge over fixed assets of the MLPL, corporate guarantee of the MLCFL, assignment of receivables from the MLCFL and personal guarantees of directors. This facility carries mark-up at the rate of 3 months KIBOR plus 1.50% per annum and will expire on 30 November 2018.

	Note	2018 (Rupees in thousand)	2017
<b>15. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Long term financing	6	1,198,917	471,390
Liabilities against assets subject to finance lease	7	-	230,717
		<u>1,198,917</u>	<u>702,107</u>

## 16. CONTINGENCIES AND COMMITMENTS

### 16.1 Contingencies

#### Holding Company

a) The Company filed an appeal before Appellate Tribunal Inland Revenue, Lahore for tax year 2003 against order of Commissioner Inland Revenue (Appeals) (CIR(A)) dated 18 September 2008 passed under section 122 (5A) of the Income Tax Ordinance, 2001 wherein the order of the Assessing Officer creating demand of Rupees 20.780 million was upheld. In addition to above, another appeal for tax year 2003 was filed by the tax department before Appellate Tribunal Inland Revenue against the order of CIR (A) passed under section 221, through which order of the Assessing Officer regarding disallowance of depreciation expense amounting to Rupees 62.666 million and penalty levied amounting to Rupees 17.484 million had been annulled. No provision has been made in these consolidated financial statements as the Company is hopeful of favorable outcome of these cases.

b) The Company filed an appeal before Appellate Tribunal Inland Revenue, Lahore for tax year 2004. The loss for the tax year 2004 was assessed at Rupees 255.684 million reducing refund to Rupees 7.499 million vide order dated 22 May 2009. The matter was decided in favor of the Company. However, department filed an appeal in The Honorable Lahore High Court, Lahore against the decision. No provision has been made in these consolidated financial statements since the Company is confident about favorable outcome of the case.

c) Tax department filed an appeal before Appellate Tribunal Inland Revenue against the order of Commissioner Inland Revenue (Appeals) dated 13 May 2015, by which the demand amounting to Rupees 54.010 million created by assessing officer under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2009 was annulled. No provision has been made in these consolidated financial statements as the Company is hopeful of a favorable outcome.

d) Tax department filed an appeal before Appellate Tribunal Inland Revenue against the order of Commissioner Inland Revenue (Appeals) dated 06 September 2014, by which the demand amounting to Rupees 22.110 million created by assessing officer under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2010 was annulled. No provision has been made in these consolidated financial statements as the Company is hopeful of a favorable outcome.

e) The Company filed income tax return for Tax Year 2011 having tax loss amounting to Rupees 957.623 million and creating a refund of Rupees 107.808 million. An assessment dated 12 May 2017 under section 122(5A) of the Income Tax Ordinance, 2001 has been finalized by restricting loss to Rupees 435.435 million and reducing refund to Rupees Nil. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) which is pending for hearing.

f) The Company filed income tax return for Tax Year 2016 having taxable income amounting to Rupees 762.669 million and creating a refund of Rupees 30.721 million. An assessment under section 122(5A) of the Income Tax Ordinance, 2001 dated 31 May 2018 has been finalized and taxable income has been assessed at Rupees 1,167.832 million by creating demand of Rupees 231.109 million. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) which is pending for hearing.

g) The Company and the tax authorities filed appeals before different appellate authorities regarding sales tax and custom duty matters. Pending the outcome of appeals filed by the Company and tax authorities, no provision has been made in these consolidated financial statements which on the basis adopted by the authorities would amount to Rupees 87.996 million (2017: Rupees 87.996 million), since the Company has strong grounds against the assessments framed by the relevant authorities.

h) The Company filed recovery suits in Civil Courts amounting to Rupees 15.164 million (2017: Rupees 15.203 million) against various suppliers and customers for goods supplied by / to them. Pending the outcome of the cases, no provision has been made in these consolidated financial statements since the Company is confident about favorable outcome of the cases.

i) The Company filed suits before Civil Court, Rawalpindi and Lahore High Court, against demands raised by Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rupees 72.811 million (2017: Rupees 72.811 million). No provision has been made in these consolidated financial statements, since the Company is confident about favorable outcome.

j) The Company filed an appeal before Supreme Court of Pakistan against an order of Lahore High Court, Rawalpindi Bench on an appeal filed by supplier for non-payment by the Company. The Company has provided a guarantee of Rupees 4.254 million on the directions of Supreme Court of Pakistan. Appeal is pending adjudication and the Company expects a favorable outcome.

k) The Company challenged, before Honorable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(l)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honorable Lahore High Court has issued stay order in favor of the Company. Consequently, the Company has claimed input sales tax amounting to Rupees 131.010 million (2017: Rupees 62.376 million) paid on packing material in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal.

l) Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregate to Rupees 279.257 million (2017: Rupees 264.912 million).

#### Subsidiary Company - Maple Leaf Cement Factory Limited

a) Through Order-in-Original No.18/2009 dated 24 December 2009, the tax department finalized the adjudication proceeding in respect of audit conducted by the department auditors for tax





year 2009 and raised a demand of principal sales tax and FED aggregating to Rupees 336.74 million along with applicable default surcharges and penalties. The Company preferred appeal against such order under the applicable provisions of Sales Tax Act, 1990 and Federal Excise Act, 2005 before the Commissioner of Inland Revenue (appeals).

It is, however, appropriate to highlight that the Company has also filed a writ petition with the Honorable Lahore High Court against the above referred Order-In-Original demand. The Honorable Lahore High Court has ordered that the tax department be restrained from taking any measures against the Company. Based on the opinion of MLCFL's legal counsel, management is confident of favourable outcome, hence no provision has been made in these consolidated financial statements.

b) Assistant Commissioner Inland Revenue through order dated 31 May 2018 raised a demand of Rupees 44.58 million under section 122(5A) for the tax year 2012 on the disallowance of adjustment of tax credit under section 65B and withholding of tax under section 154 of the Income Tax Ordinance, 2001. The Company has contested the order in appeal before the CIR(A) which is pending adjudication. Based on the opinion of MLCFL's legal counsel, management is confident of favourable outcome, hence no provision has been made in these consolidated financial statements.

c) Deputy Commissioner Inland Revenue through order dated 31 July 2017 raised a demand of Rupees 2.46 million under section 122(5A) for the tax year 2011 of the Income Tax Ordinance, 2001. The Company has preferred and appeal before CIR(A) which is pending adjudication. Based on the opinion of MLCFL's legal counsel, management is confident of favourable outcome, hence no provision has been made in these consolidated financial statements.

d) The Company has filed writ petitions before the Honorable Lahore High Court against the legality of judgment passed by the Customs, Excise and Sales Tax Appellate Tribunal in 2004 whereby the Company was held liable on account of wrongful adjustment of input sales tax on raw materials. The amount involved pending adjudication before the Honorable Lahore High Court is Rupees 10.01 million. No provision has been made in these consolidated financial statements in respect of the matter as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favor of the Company.

e) The Company has filed an appeal before the Customs, Central Excise and Sales Tax Appellate Tribunal, Karachi against the order of the Deputy Collector Customs whereby the refund claim of the Company amounting to Rupees 12.35 million was rejected and the Company was held liable to pay an amount of Rupees 37.05 million by way of 10% customs duty allegedly leviable in terms of SRO 584(I)/95 and 585(I)/95 dated 01 July 1995. The impugned demand was raised by the department on the alleged ground that the Company was not entitled to exemption from payment of customs duty and sales tax in terms of SRO 279(I)/94 dated 02 April 1994.

The Honorable Lahore High Court, upon the Company's appeal, vide its order dated 06 November 2001 has decided the matter in favor of the Company; however, the Collector of Customs has preferred a petition before the Honorable Sindh High Court, which is pending adjudication. No provision has been made in these consolidated financial statements in respect of the above stated amount as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favor of the Company.

f) The Federal Board of Revenue (FBR) has filed an appeal before the Honorable Supreme Court of Pakistan against the judgment delivered by the Honorable Lahore High Court in favor of the Company in a writ petition. The Company, through the said writ petition, had challenged the demand raised by the FBR for payment of duties and taxes on the plant and machinery imported by the Company pursuant to the exemption granted in terms of SRO 484 (I) / 92 dated 14 May

1992. The FBR, however, alleged that the said plant & machinery could be locally manufactured and duties and taxes were therefore not exempted. A total demand of Rupees 1,386.72 million was raised by the FBR out of which an amount of Rupees 269.33 million was deposited by the Company as undisputed liability. No provision has been made in these consolidated financial statements in respect of the above stated amount as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favor of the Company.

g) The Company has filed an appeal before the Honorable Supreme Court of Pakistan against the judgment of the Division Bench of the Honorable High Court of Sindh at Karachi. The Division Bench, by judgment dated 15 September 2008, has partly accepted the appeal by declaring that the levy and collection of infrastructure cess / fee prior to 28 December 2006 was illegal and ultra vires and after 28 December 2006, it was legal and the same was collected by the Excise Department in accordance with the law. The appeal has been filed against the declaration that after 28 December 2006, the Excise Department has collected the infrastructure cess / fee in accordance with law. The Province of Sindh and Excise and Taxation Department has also preferred an appeal against the judgment decided against them. The Honorable Supreme Court consolidated both the appeals and were set aside. Thereafter, law has been challenged in constitution petition in the Honorable Sindh High Court Karachi. Stay has been granted by the Honorable High Court on 31 May 2011 on payment of 50% of the cess to the Excise Department and on furnishing of bank guarantee for remaining 50% to them. The petition is pending for hearing and stay is continuing.

The management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favor of the Company.

h) The Company has filed an appeal before the Honorable Sindh High Court to challenge Sindh Development and Maintenance on levy and collection of infrastructure cess under Infrastructure Cess Act 2017. Stay has been granted by the Honorable High Court on 27 November 2017 in line with earlier petitions explained in ( f ) above, i.e. on payment of 50% of the cess to the Excise Department and on furnishing of bank guarantee for remaining 50% to them. The petition is pending for hearing and stay is continuing.

i) Competition Commission of Pakistan, vide order dated 27 August 2009, has imposed penalty on twenty cement factories of Pakistan at the rate of 7.5% of the turnover value. The Commission has imposed penalty amounting to Rupees 586.19 million on the Company. The Commission has alleged that provisions of section 4(1) of the Competition Commission Ordinance, 2007 have been violated. However, after the abeyance of Honorable Islamabad High Court pursuant to the judgment of Honorable Supreme Court of Pakistan dated 31 July 2009, the titled petition has become infructuous and the Company has filed a writ petition no. 15618/2009 before the Honorable Lahore High Court. No provision has been made in these consolidated financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favor of the Company.

j) The Additional Collector, Karachi has issued show cause notice alleging therein that the Company has wrongly claimed the benefits of SRO No. 575(I)/2006 dated 05 June 2006 on the import of pre-fabricated buildings structure. Consequently, the Company is liable to pay Government dues amounting to Rupees 5.55 million. The Company has submitted reply to the show cause notice and currently proceedings are pending before the Additional Collector. No provision has been made in these consolidated financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favor of the Company.



k) The customs department has filed an appeal against the judgment dated 19 May 2009, passed in favor of the Company pursuant to which the Company is not liable to pay custom duty amounting to Rupees 0.81 million relating to import of some machinery vide L/C No. 0176-01-46-518-1201 in terms of SRO 484(1)/92 dated 14 May 1992, and SRO 978(1)/95 dated 04 October 1995. The appeal is pending before the Honorable Lahore High Court. No provision has been made in these consolidated financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favor of the Company.

l) Surcharge of Rupees 154 million has been imposed by Mines and Minerals Department, Government of the Punjab under Rule 68(2) of Punjab Mining Concession Rules, 2002 ("Rules") against which the Company has filed writ petition against Government of Punjab via writ petition No. 1008/2014 to challenge the basis of Rules. The Honorable Lahore High Court dismissed the petition since the matter was being reviewed by the relevant authority. Management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favor of the Company.

m) Guarantees given by banks on behalf of the Company are of Rupees 602.994 million (2017: Rupees 483.387 million) in favor of Sui Northern Gas Pipeline Limited and Government Institutions.

## 16.2 Commitments in respect of:

a) Letters of credit for capital expenditure amount to Rupees 5,284.011 million (2017: Rupees 15,438.845 million).

b) Letters of credit other than for capital expenditure amounting to Rupees 1,549.443 million (2017: Rupees 1,093.746 million).

c) Contracts for capital expenditure amounting to Rupees 747.312 million (2017: Rupees 211.037 million).

d) Future contracts - shares in respect of which the settlement is outstanding amounting to Rupees 593.208 million (2017: Rupees Nil)

e) Future contracts - gold in respect of which the settlement is outstanding amounting to Rupees 328.888 million (2017: Rupees Nil).

	Note	2018 (Rupees in thousand)	2017
<b>17 .PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	17.1		
Owned		31,760,197	24,580,786
Leased		-	418,292
Capital work in progress	17.1.5	17,085,181	6,057,697
Stores held for capitalization		1,204,297	166,091
		<u>50,049,675</u>	<u>31,222,866</u>

## 17.1 Operating Fixed Assets

	Owned Assets											Leased Assets				
	Freehold land	Office building	Factory and other building	Residential and other building	Plant and machinery	Services and other equipment	Computer and IT installations	Furniture and fixture	Office equipment	Vehicles	Query equipment	Share of joint assets	Total	Plant and machinery	Vehicles	Total
<b>At 30 June 2016</b>																
Cost / revalued amount	3,125,943	33,668	6,046,213	116,413	32,589,326	50,274	87,888	448,988	45,657	407,825	185,023	6,000	43,143,218	682,524	2,644	685,168
Accumulated depreciation	-	(7,922)	(2,694,959)	(65,643)	(16,113,576)	(30,599)	(69,496)	(240,656)	(26,080)	(187,599)	(156,480)	(4,534)	(19,597,540)	(228,820)	(889)	(229,709)
Net book value	3,125,943	25,746	3,351,258	50,770	16,475,750	19,675	18,392	208,332	19,577	220,226	28,543	1,466	23,545,678	453,704	1,755	455,459
<b>Year ended 30 June 2017</b>																
Opening net book value	3,125,943	25,746	3,351,258	50,770	16,475,750	19,675	18,392	208,332	19,577	220,226	28,543	1,466	23,545,678	453,704	1,755	455,459
Additions	-	-	620,349	4,974	2,402,132	10,830	23,233	71,768	1,072	97,309	-	-	3,281,667	-	-	-
Revaluation surplus (Note 4)	23,119	-	-	-	-	-	-	-	-	-	-	-	23,119	-	-	-
Assets transferred from lease assets to owned assets:																
Cost	-	-	-	-	9,471	-	-	-	-	2,644	-	-	12,115	(9,471)	(2,644)	(12,115)
Accumulated depreciation	-	-	-	-	(2,316)	-	-	-	-	(1,055)	-	-	(3,371)	2,316	1,055	3,371
	-	-	-	-	7,155	-	-	-	-	1,589	-	-	8,744	(7,155)	(1,589)	(8,744)
Disposals:																
Cost / revalued amount	(14,248)	-	(120,411)	-	(322,575)	-	(793)	(65,214)	(124)	(43,587)	-	-	(536,952)	-	-	-
Accumulated depreciation	-	-	48,149	-	32,243	-	396	32,243	96	30,532	-	-	320,893	-	-	-
	(14,248)	-	(72,262)	-	(113,098)	-	(397)	(2,971)	(28)	(13,055)	-	-	(216,059)	-	-	-
Depreciation charge	-	(369)	(261,854)	(5,372)	(1,639,506)	(2,402)	(6,375)	(98,079)	(2,021)	(49,376)	(3,882)	(127)	(2,012,363)	(28,257)	(166)	(28,423)
Closing net book value	3,134,814	25,377	3,637,491	50,372	17,132,433	28,103	32,853	238,050	18,600	256,693	24,661	1,339	24,580,786	418,292	-	418,292
<b>At 30 June 2017</b>																
Cost / revalued amount	3,134,814	33,668	6,546,151	121,387	34,678,354	61,104	110,328	485,542	46,605	464,191	185,023	6,000	45,873,167	673,063	-	673,063
Accumulated depreciation	-	(8,291)	(2,906,660)	(71,015)	(17,545,921)	(33,001)	(77,475)	(247,492)	(28,005)	(207,498)	(160,362)	(4,661)	(21,292,381)	(254,761)	-	(254,761)
Net book value	3,134,814	25,377	3,637,491	50,372	17,132,433	28,103	32,853	238,050	18,600	256,693	24,661	1,339	24,580,786	418,292	-	418,292
<b>Year ended 30 June 2018</b>																
Opening net book value	3,134,814	25,377	3,637,491	50,372	17,132,433	28,103	32,853	238,050	18,600	256,693	24,661	1,339	24,580,786	418,292	-	418,292
Additions	-	-	2,117,983	41,537	7,003,982	509	4,882	61,782	2,867	139,599	-	-	9,373,151	-	-	-
Revaluation surplus (Note 4)	20,591	-	-	-	-	-	-	-	-	-	-	-	20,591	-	-	-
Assets transferred from lease assets to owned assets:																
Cost	-	-	-	-	673,053	-	-	-	-	-	-	-	673,053	(673,053)	-	(673,053)
Accumulated depreciation	-	-	-	-	(272,325)	-	-	-	-	-	-	-	(272,325)	272,325	-	272,325
	-	-	-	-	400,728	-	-	-	-	-	-	-	400,728	(400,728)	-	(400,728)
Disposals:																
Cost / revalued amount	-	-	(645)	-	(107,716)	-	(1,071)	(91)	(188)	(55,883)	(14,712)	-	(180,306)	-	-	-
Accumulated depreciation	-	-	245	-	58,883	-	710	56	107	36,578	14,510	-	111,089	-	-	-
	-	-	(400)	-	(48,833)	-	(361)	(35)	(81)	(19,305)	(202)	-	(69,217)	-	-	-
Depreciation charge	-	(358)	(350,692)	(7,294)	(1,997,572)	(3,227)	(10,063)	(114,409)	(1,994)	(55,998)	(3,090)	(1,145)	(2,545,842)	(17,564)	-	(17,564)
Closing net book value	3,155,405	25,019	5,404,382	84,615	22,490,748	25,385	27,311	185,388	19,392	320,989	21,369	194	31,760,197	-	-	-
<b>At 30 June 2018</b>																
Cost / revalued amount	3,155,405	33,668	8,663,489	162,924	42,247,683	61,613	114,139	547,233	49,284	547,907	170,311	6,000	55,759,656	-	-	-
Accumulated depreciation	-	(8,649)	(3,259,107)	(78,309)	(19,756,935)	(36,228)	(86,828)	(361,845)	(29,892)	(226,918)	(148,942)	(5,806)	(23,999,459)	-	-	-
Net book value	3,155,405	25,019	5,404,382	84,615	22,490,748	25,385	27,311	185,388	19,392	320,989	21,369	194	31,760,197	-	-	-
Depreciation rate (%)	-	5 - 10	5 - 10	5 - 10	5 - 20	10	30	10	10	20	20	10	10	10 - 20	20	-

17.1.1 Freehold land of the Holding Company was revalued by an independent valuer Anderson Consulting (Private) Limited (Evaluators, Surveyors, Stock Inspectors, Architects & Engineers) as at 30 June 2018. Book value of land on cost basis is Rupees 160,105 million (2017: Rupees 160,105 million) as on 30 June 2018. Had there been no revaluation, the value of land would have been lower by Rupees 2,579,452 million (2017: Rupees 2,558,861 million). Freehold land of MLCFL was revalued by Arif Evaluators as at 30 June 2015, forced sale value at 30 June 2015 was Rupees 344,077 million.

17.1.2 Borrowing cost of Rupees 1,347 million (2017: Rupees 2,029 million) was capitalized during the year using the capitalization rate ranging from 4.5% to 8% (2017: 1.90% to 7.87%) per annum.

	Note	2018 (Rupees in thousand)	2017
17.1.3 Depreciation charged during the year has been allocated as follows:			
Cost of sales	31	2,449,963	1,956,646
Distribution expenses	32	4,041	-
Administrative expenses	33	109,402	81,062
Capital work in progress	17.1.5	-	3,078
		<u>2,563,406</u>	<u>2,040,786</u>

17.1.4 Ownership of the housing colony's assets included in the operating fixed assets is shared by the MLCFL jointly with Agritech Limited (formerly Pak American Fertilizer Limited) in ratio of 101:245 since the time when both the companies were managed by Pakistan Industrial Development Corporation (PIDC). These assets are in possession of the housing colony establishment for mutual benefits.

		2018 (Rupees in thousand)	2017
17.1.5 Capital work in progress			
Plant and machinery		11,015,292	2,573,936
Civil Works		4,319,448	1,462,427
Mechanical works		-	442,293
Electrical works		-	174,030
Depreciation	17.1.3	-	3,078
Letters of credit		69,556	2,337
Un-allocated capital expenditure	17.1.5.1	477,072	414,916
Advances to suppliers against:			
Plant and machinery		108,343	314,591
Civil works		322,626	101,584
Mechanical & electrical works		4,615	11,144
Purchase of land		736,048	550,918
Vehicles		3,114	2,822
Others		29,067	3,621
		<u>17,085,181</u>	<u>6,057,697</u>

#### 17.1.5.1 Un-allocated capital expenditure

Salaries and wages	163,500	100,153
Traveling	-	9,719
Fee and subscription	49,590	84,154
Legal and professional expenses	74,028	8,379
Finance cost	153,813	146,342
Rent, rates & taxes	-	65,670
Insurance	10,451	452
Energy expense	25,690	47
	<u>477,072</u>	<u>414,916</u>

17.1.6 Particulars of freehold land are as follows:

Location	Total Area (Acres)
Peshawar Road, Rawalpindi	121.26
8 KM, Manga Raiwind Road, District Kasur	32.57
Gulyana Road, Gujar Khan, District Rawalpindi	50.68
Iskandrabad, District Mianwali	1,268.13

## 17.2 Detail of operating fixed assets, exceeding the book value of Rupees 500,000 disposed off during the year is as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/(Loss)	Mode of disposal	Particulars of purchasers
------(Rupees in thousand)-----							
<b>Plant and Machinery</b>							
Boge compressor	1,803	1,121	682	565	(117)	Negotiation	Matco (Private) Limited, Islamabad
Boge compressor	1,803	1,131	672	565	(107)	Negotiation	Matco (Private) Limited, Islamabad
Autocone Winder	10,789	8,111	2,678	2,943	265	Negotiation	Gulf Worldwide Logistics, United Arab Emirates
Autocone Winder	11,608	8,113	3,495	2,943	(552)	Negotiation	Gulf Worldwide Logistics, United Arab Emirates
Flow Divider Assembly	5,130	985	4,145	307	(3,838)	Auction	Muhammad Hayat
Wear Segment of Special Cast Iron	3,693	2,183	1,510	108	(1,402)	Auction	Muhammad Hayat
Furnace Oil Pump	1,979	705	1,274	93	(1,181)	Auction	Muhammad Hayat
Side Liner Mill Roller Segment	3,795	1,359	2,436	177	(2,259)	Auction	Muhammad Hayat
Wear Segment of Special Cast Iron	2,897	1,597	1,300	460	(840)	Insurance Claim	EFU General Insurance
Roller Tire	32,143	15,488	16,655	5,949	(10,706)	Insurance Claim	EFU General Insurance
Normal Capple Element	13,185	7,585	5,600	1,973	(3,627)	Insurance Claim	EFU General Insurance
Roller Solid	7,100	357	6,743	11,664	4,921	Claim	M/s. Brother Engineering
	95,925	48,735	47,190	27,747	(19,443)		
<b>Vehicles</b>							
Toyota Corolla	1,954	338	1,616	1,800	184	Negotiation	Mr. Liaquat Ali, Fazal Park, Lahore
Toyota Corolla	1,960	538	1,422	1,800	378	Negotiation	Mr. Sarmad Tanveer (employee), Lahore
Toyota Corolla	1,763	1,045	718	750	32	Negotiation	Mr. Shahid Rehman (employee), Lahore
Honda - Civic	2,256	1,555	701	1,377	676	Auction	M/s Golden Traders
Honda - Civic	1,821	1,245	576	800	224	Auction	Shazia Tabassum
Toyota Corolla	1,746	1,200	546	1,200	654	Auction	Sh. Adeel Ahmad
Toyota Corolla	1,746	1,211	535	1,200	665	Auction	Abdul Hanan Khan
Toyota Corolla	1,746	1,188	558	1,200	642	Sale	Muhammad Sajjad
Suzuki Cultus	1,063	455	608	859	251	Auction	Muhammad Qasim
Suzuki Cultus	1,063	418	645	805	160	Auction	M. Mashroof Lone
Suzuki Cultus	1,063	456	607	853	246	Auction	Muhammad Qasim
Suzuki Cultus	1,078	526	552	755	203	Auction	Ahmad Hassan, Multan
Suzuki Cultus	1,098	565	533	685	152	Auction	Naeem Iqbal
Suzuki Cultus	1,058	505	553	826	273	Auction	Naeem Iqbal
Suzuki Cultus	1,119	269	850	350	(500)	Auction	Muhammad Kausar
	22,534	11,514	11,020	15,260	4,240		
	118,459	60,249	58,210	43,007	(15,203)		
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 500,000	61,847	50,840	11,007	27,793	16,786		
	180,306	111,089	69,217	70,800	1,583		

	Note	2018 (Rupees in thousand)	2017
<b>18. INVESTMENT PROPERTIES</b>			
Opening net book value		1,789,670	1,784,058
Fair value gain	35	3,085	5,612
Closing net book value		1,792,755	1,789,670

18.1 The fair value of investment properties comprising land situated at Lahore and Rawalpindi have been determined by an independent valuer Anderson Consulting (Private) Limited (Evaluators, Surveyors, Stock Inspectors, Architects & Engineers) as at 30 June 2018.

18.2 Forced sale value of these properties as at 30 June 2018 was Rupees 1,523.843 million (2017: Rupees 1,512.220 million)

18.3 Particulars of freehold land are as follows:

Location	Total Area (Acres)
Peshawar Road, Rawalpindi	43.95
8 KM, Manga Raiwind Road, District Kasur	4.95

	Note	2018 (Rupees in thousand)	2017
<b>19. INTANGIBLES</b>			
Intangible assets	19.1	16,811	25,206
Intangible asset under development	19.2	-	11,974
		16,811	37,180

19.1 Intangible assets

At beginning of the year	78,666	49,634
Additions during the year	-	29,032
At end of the year	78,666	78,666
Accumulated amortization		
At beginning of the year	53,460	49,634
Amortization for the year	8,395	3,826
At end of the year	61,855	53,460
Net book value	16,811	25,206

19.2 This represented advances given for implementation of Enterprise Resource Planning (ERP) system. This has been written off during the year as the management expected no future economic benefits from the use of ERP system.

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
<b>20. LONG TERM LOANS TO EMPLOYEES - Secured</b>			
<b>Subsidiary Company - MLCFL</b>			
House building		2,713	2,956
Vehicles		2,169	2,388
Others		9,938	4,949
		14,820	10,293
Less: Current portion shown under current assets	25	5,348	4,494
		9,472	5,799

20.1 These loans are secured against employees' retirement benefits of Subsidiary Company (MLCFL) and carry interest at the rates ranging from 6.00% to 12.00% (2017: 6.00% to 12.00% ) per annum. These loans are recoverable in 30 to 120 monthly installments.

20.2 These include loans to executives amounting to Rupees 1.450 million (2017: Rupees 2.420 million). Further, no amount was due from directors and chief executive officer at the year end (2017: Rupees Nil).

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
<b>21. LONG TERM DEPOSITS</b>			
Security deposits		106,249	120,325
Less: Current portion shown under current assets	26	(71)	(7,172)
		106,178	113,153
<b>22. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores	22.1	3,543,722	3,464,130
Spare parts		3,899,461	3,751,379
Loose tools		115,282	90,193
		7,558,465	7,305,702
Less: Provision against slow moving items		(3,772)	(2,552)
		7,554,693	7,303,150

22.1 This includes stores in transit of Rupees 409.84 million (2017: Rupees 720.60 million).





	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
<b>23. STOCK-IN-TRADE</b>			
Raw materials	23.1	1,502,953	946,124
Packing materials		152,114	169,129
Work-in-process		1,263,478	1,395,315
Finished goods		849,800	800,247
		<u>3,768,345</u>	<u>3,310,815</u>

23.1 Raw materials include stock in transit of Rupees 270.613 million (2017: Rupees 91.508 million).

23.2 Stock in trade of Rupees 45.678 million (2017: Rupees 51.599 million) is being carried at net realizable value.

23.3 Stock in trade includes stock of Rupees 41.245 million (2017: Rupees 50.971 million) with external parties for processing.

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
<b>24. TRADE DEBTS</b>			
Considered good:			
Secured (against letters of credit)		520,598	550,150
Unsecured		2,456,876	1,689,626
		<u>2,977,474</u>	<u>2,239,776</u>
Considered doubtful:			
Others - unsecured	24.1	25,932	-
		<u>3,003,406</u>	<u>2,239,776</u>
Provision for doubtful debts		(25,932)	-
		<u>2,977,474</u>	<u>2,239,776</u>

**24.1 Movement in provision for doubtful debts**

As at 01 July	-	-
Add: Provision for the year	(25,932)	-
As at 30 June	<u>(25,932)</u>	<u>-</u>

24.2 As at 30 June 2018, trade debts of Rupees 2,178.432 million (2017: Rupees 1,239.674 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The aging analysis of these trade debts is as follows:

	2018 (Rupees in thousand)	2017 (Rupees in thousand)
Upto 1 month	1,340,040	862,488
1 to 6 months	635,426	202,562
More than 6 months	202,966	174,624
	<u>2,178,432</u>	<u>1,239,674</u>

24.3 Disclosures in respect of outstanding export debtors along with type of arrangements are as follows:

Jurisdiction and relationship with the Company (related party or other)		2018				2017			
		Letters of credit	Cash against documents	Contracts	Total	Letters of credit	Cash against documents	Contracts	Total
Jurisdiction	Relationship	----- (Rupees in thousand) -----							
America	Other	22,315	188,854	23,343	234,512	38,267	226,093	20,460	284,820
Asia. Africa	Other	8,618	666	-	9,284	79,252	-	-	79,252
Australia	Other	-	3,425	9,577	13,002	-	-	14,720	14,720
Europe	Other	209,691	75,696	14,689	300,076	177,171	176,932	15,922	370,025
		240,624	268,641	47,609	556,874	294,690	403,025	51,102	748,817

Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
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## 25. LOANS AND ADVANCES - Unsecured, considered good

Loans and advances to employees:			
- Executives		74	10,866
- Other employees		24,677	12,304
- Current portion of long term loans to employees	20	5,348	4,494
		30,099	27,664
Advances to Government:			
- Sales tax		1,271,086	4,494
- Excise duty		269,211	-
- Collector of customs	25.1	41,911	-
- Refunds from Government	25.2	16,797	-
		1,599,005	4,494
Advances to suppliers	25.3	1,088,213	899,183
Letters of credit		540,008	32,255
Provision for doubtful advances	34	4,243	-
		3,253,082	963,596

25.1 It pertains to advance given for clearance of import shipments

25.2 This represents amount paid to Government under protest for various cases which have been decided in favour of MLCFL.

25.3 This includes an amount of Rupees 679.128 million (2017: Rupees 502.414 million) advanced to Ministry of Railways for transportation of coal and cement.

Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
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## 26. SECURITY DEPOSITS AND SHORT TERM PREPAYMENTS

Current portion of long term deposits	21	71	7,172
Short term deposit			
Margin against:			
- Letters of credit		9,634	85,158
- Bank guarantees		98,014	-
Prepayments		26,200	30,804
		133,919	123,134



	Note	2018 (Rupees in thousand)	2017
<b>27. OTHER RECEIVABLES</b>			
Considered good:			
Sales tax refundable		453,877	1,018,613
Custom duty receivable		15,993	32,786
Mark up rate support receivable from financial institutions		3,633	3,633
Export rebate		74,863	95,045
Insurance claims		941	4,171
Duty draw back receivable		198,034	189,377
Margin deposits with brokers		158,410	121,300
Advance income tax - MLPL		-	162,649
Dividend receivable		5,149	-
Others		59,507	66,373
		<u>970,407</u>	<u>1,693,947</u>
<b>28. SHORT TERM INVESTMENTS</b>			
Held-to-maturity investment	28.1	-	1,498,549
Investments at fair value through profit or loss	28.2	3,480,826	1,621,721
Advance against purchase of shares	28.3	-	94,556
Investment in gold	28.4	400,294	-
		<u>3,881,120</u>	<u>3,214,826</u>
<b>28.1 Held-to-maturity investments - other than related parties Subsidiary Company - MLCL</b>			
<b>Treasury bills</b>			
Opening balance		1,498,549	323,955
Add: Investments made during the year		2,471,593	1,481,136
Amortized during the year		29,858	23,458
		<u>4,000,000</u>	<u>1,828,549</u>
Less: Investments matured during the year		(4,000,000)	(330,000)
		<u>-</u>	<u>1,498,549</u>

**28.1.1** This represents investment in treasury bills for the period of six months. These treasury bills carry profit at the rate from 5.96% to 6.06% (2017: from 5.96% to 6.18%) per annum.

## 28.2 Short term investments

2018			2017		
Carrying value	Unrealized gain / (loss)	Market value	Carrying value	Unrealized gain / (loss)	Market value

----- (Rupees in thousand) -----

### Holding Company

#### Shares in listed companies

Pakistan Reinsurance Company Limited 25,000 (2017: 25,000) fully paid ordinary shares of Rupees 10 each	1,220	(398)	822	757	463	1,220
Samin Textiles Limited 30,000 (2017: 30,000) fully paid ordinary shares of Rupees 10 each	206	(80)	126	216	(10)	206
D. S. Industries Limited 20,000 (2017: 20,000) fully paid ordinary shares of Rupees 10 each	77	15	92	56	21	77
Pervez Ahmed Securities Limited 25,000 (2017: 25,000) fully paid ordinary shares of Rupees 10 each	49	(25)	24	42	8	50
Bank AL Habib Limited 400 (2017: 400) fully paid ordinary shares of Rupees 10 each	23	9	32	17	6	23
Kohinoor Energy Limited 200 (2017: 200) fully paid ordinary shares of Rupees 10 each	9	(1)	8	8	-	8
Shifa International Hospitals Limited 700 (2017: 700) fully paid ordinary shares of Rupees 10 each	231	(42)	189	210	21	231
The Hub Power Company Limited 5 (2017: 5) fully paid ordinary shares of Rupees 10 each	1	-	1	1	-	1
Honda Atlas Cars (Pakistan) Limited 55 (2017: 55) fully paid ordinary shares of Rupees 10 each	48	(30)	18	20	28	48
Pak Suzuki Motor Company Limited 13 (2017: 13) fully paid ordinary shares of Rupees 10 each	10	(5)	5	5	5	10
Shell Pakistan Limited 55 (2017: 55) fully paid ordinary shares of Rupees 10 each	32	(14)	18	16	15	31
Biafo Industries Limited 304 (2017: 304) fully paid ordinary shares of Rupees 10 each	76	21	97	84	(8)	76
Thal Limited 450 (2017: 450) fully paid ordinary shares of Rupees 10 each	273	(58)	215	139	134	273
Abbot Laboratories (Pakistan) Limited 92 (2017: 92) fully paid ordinary shares of Rupees 10 each	86	(23)	63	75	11	86
Blessed Textile Limited 17,300 (2017: 17,300) fully paid ordinary shares of Rupees 10 each	4,158	1,988	6,146	3,141	1,017	4,158
The Bank of Punjab 4,500 (2017: Nil) fully paid ordinary shares of Rupees 10 each	56	(2)	54	-	-	-
Engro Foods Limited 1,500 (2017: Nil) fully paid ordinary shares of Rupees 10 each	134	(2)	132	-	-	-

#### Subsidiary Company - MLCL

#### Mutual funds

ABL Cash Fund 3,550,685 (2017: 20,143,908) units	36,811	814	37,625	203,411	200	203,611
Askari Sovereign Cash Fund 994,976 (2017: 2,003,894) units	100,000	72	100,072	201,057	1	201,058
Alfalah GHP Severeign Fund 1,003 (2017: 1,003) units	106	5	111	106	-	106
Faysal Money Market Fund 511,798 (2017: 5,198) units	51,948	2,615	54,563	530	(4)	526
NAFA Money Market Fund 127,172,665 (2017: 1,347,366) units	1,298,558	24,673	1,323,231	13,262	21	13,283
HBL Government Securities Fund 1,010 (2017: 1,010) units	106	-	106	106	-	106
HBL Cash Fund 11,423,931 (2017: 8,991,001) units	1,177,657	32,862	1,210,519	902,585	832	903,417
HBL Money Market Fund 52 (2017: nil) units	5	-	5	-	-	-
Primus Income Fund 996 (2017: 996) units	105	6	111	102	2	104
Larkson Money Market Fund 4,770,700 (2017: nil) units	500,871	2,856	503,727	-	-	-
UBL Liquidity Plus Fund 47,530 (2017: nil) units	4,992	56	5,048	-	-	-
UBL Money Market Fund 1,044 (2017: 1,044) units	105	5	110	108	(3)	105
	3,171,264	63,964	3,235,228	1,321,267	1,049	1,322,316

#### Shares in listed companies

Askari General Insurance Company Limited 288 (2017: 760,788) fully paid ordinary shares of Rupees 10 each	9	(1)	8	22,967	(258)	22,709
Bhanero Textile Mills Limited 6,501 (2017: 6,501) fully paid ordinary shares of Rupees 10 each	5,851	(601)	5,250	5,337	514	5,851
Engro Corporation Limited 1,001 (2017: 1) fully paid ordinary shares of Rupees 10 each	310	4	314	-	-	-
Faisal Spinning Mills Limited 20,701 (2017: 20,701) fully paid ordinary shares of Rupees 10 each	5,985	225	6,210	4,341	1,644	5,985
Fauji Cement Company Limited 274,001 (2017: 1) fully paid ordinary shares of Rupees 10 each	6,898	(637)	6,261	-	-	-
Fauji Fertilizer Bin Qasim Limited 26,501 (2017: 1) fully paid ordinary shares of Rupees 10 each	1,204	(181)	1,023	-	-	-



2018			2017		
Carrying value	Unrealized gain / (loss)	Market value	Carrying value	Unrealized gain / (loss)	Market value

----- (Rupees in thousand) -----

International Steels Limited 101 (2017: 1) fully paid ordinary shares of Rupees 10 each)  
 Lotte Chemical Pakistan Limited 3,001,001 (2017: 1) fully paid ordinary shares of Rupees 10 each)  
 Orix Leasing Pakistan Limited 353 (2017: 497,853) fully paid ordinary shares of Rupees 10 each)  
 Pakistan Petroleum Limited 700,001 (2017: 1) fully paid ordinary shares of Rupees 10 each)  
 The Bank of Punjab 1,501 (2017: 1) fully paid ordinary shares of Rupees 10 each)  
 Other Listed companies 385 (2017: 6,597,983) fully paid ordinary shares of Rupees 10 each

10	-	10	-	-	-
37,011	(1,119)	35,892	-	-	-
14	1	15	25,266	(5,227)	20,039
150,853	(423)	150,430	-	-	-
18	-	18	-	-	-
75	(12)	63	173,586	(12,922)	160,664
208,238	(2,744)	205,494	231,497	(16,249)	215,248
<b>Subsidiary Company - MLCFL</b>					
<b>Shares in listed company</b>					
30,000	2,062	32,062	30,000	47,659	77,659
238,238	(682)	237,556	261,497	31,410	292,907
3,416,191	64,635	3,480,826	1,587,551	34,170	1,621,721

28.3 This advance was given by MLCL against book building portion of initial public offer of Ittefaq Iron Industries Limited. MLCL purchased 3,131,000 ordinary shares at strike price of Rupees 30.2 per share. During the current year, these shares have been disposed off.

2018			2017		
Carrying value	Unrealized gain / (loss)	Market value	Carrying value	Unrealized gain / (loss)	Market value

----- (Rupees in thousand) -----

28.4 Investment in gold

Subsidiary Company - MLCL

Gold - 6,656 Tola

377,460	22,834	400,294	-	-	-
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28.4.1 This gold is under the custody of Pakistan Mercantile Exchange Limited (PMEX).

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
<b>29. CASH AND BANK BALANCES</b>			
Cash in hand		7,891	13,097
Cash at bank:			
- On current accounts	29.1	431,118	333,851
- On saving accounts	29.1 & 29.2	665,734	1,470,226
		1,096,852	1,804,077
		1,104,743	1,817,174

29.1 The balances in current and deposit accounts include US \$ 87,087 (2017: US \$ 48,681 )

29.2 The balances in saving accounts carry interest ranging from 0.16% to 6.50% (2017: 0.15% to 5.60%) per annum.

	Note	2018 (Rupees in thousand)	2017 (Rupees in thousand)
<b>30. REVENUE</b>			
Export sales		8,023,857	10,117,511
Local sales	30.1	35,229,804	30,931,082
Export rebate		40,074	51,216
Duty draw back		173,608	147,691
		43,467,343	41,247,500
<b>30.1 Local sales</b>		45,896,297	39,100,398
Less:			
Sales tax		5,757,487	4,845,851
Federal excise duty		4,433,636	2,931,708
Commission		141,565	110,471
Discount		333,805	281,286
		35,229,804	30,931,082



	Note	2018 (Rupees in thousand)	2017
<b>31. COST OF SALES</b>			
Raw materials consumed	31.1	10,496,415	9,941,693
Salaries, wages and other benefits	31.2	2,489,812	2,313,617
Processing charges		26,232	14,495
Stores, spare parts and loose tools consumed		2,455,761	2,277,625
Packing materials consumed		2,029,024	1,799,522
Fuel and power		11,114,047	9,916,121
Repair and maintenance		565,362	758,245
Insurance		85,574	90,687
Other factory overheads	31.3	370,988	345,475
Amortization		2,006	-
Depreciation	17.1.3	2,449,963	1,956,646
		32,085,184	29,414,126
<b>Work-in-process</b>			
Opening stock		1,395,315	1,015,593
Closing stock		(1,263,478)	(1,395,315)
		131,837	(379,722)
Cost of goods manufactured		32,217,021	29,034,404
<b>Finished goods</b>			
Opening stock		800,247	758,144
Closing stock		(849,800)	(800,247)
		(49,553)	(42,103)
Cost of sales		32,167,468	28,992,301
<b>31.1 Raw materials consumed</b>			
Opening stock		945,845	1,134,148
Add: Purchased during the year		11,053,523	9,753,669
		11,999,368	10,887,817
Less: Closing stock		(1,502,953)	(946,124)
		10,496,415	9,941,693

**31.2** Salaries, wages and other benefits include provident fund contribution of Rupees 86.745 million (2017: Rupees 67.913 million), gratuity and compensated absences amounting to Rupees 35.22 million (2017: Rupees 30.02 million).

**31.3** Other expenses include housing colony expenses aggregating to Rupees 71.32 million (2017: Rupees 73.23 million).

	Note	2018 (Rupees in thousand)	2017
<b>32. DISTRIBUTION COST</b>			
Salaries and other benefits	32.1	224,216	181,583
Outward freight and handling		25,959	29,820
Clearing and forwarding		749,179	928,243
Commission to selling agents		101,888	149,835
Travelling and conveyance		101,705	94,369
Insurance		191	283
Vehicles' running		20,422	15,879
Electricity, gas and water		2,639	933
Postage, telephone and fax		9,899	9,486
Sales promotion and advertisement		391,837	354,475
Depreciation	17.1.3	4,041	-
Miscellaneous		93,305	48,570
		<u>1,725,281</u>	<u>1,813,476</u>

32.1 Salaries and other benefits include provident fund contribution of Rupees 8.273 million (2017: 7.332 million), gratuity and compensated absences amounting to Rupees 4.21 million (2017: Rupees 4.53 million).

	Note	2018 (Rupees in thousand)	2017
<b>33. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	33.1	595,603	657,266
Travelling and conveyance		100,837	102,568
Repair and maintenance		40,734	68,879
Rent, rates and taxes		11,487	10,611
Insurance		14,193	13,569
Vehicles' running		36,476	33,831
Printing, stationery and periodicals		50,794	32,784
Electricity, gas and water		5,227	486
Postage, telephone and fax		25,239	23,777
Legal and professional		82,832	60,161
Security, gardening and sanitation		35,216	36,020
Amortization		6,389	-
Depreciation	17.1.3	109,402	81,062
Miscellaneous		221,514	184,942
		<u>1,335,943</u>	<u>1,305,956</u>

33.1 Salaries and other benefits include provident fund contribution of Rupees 19.696 million (2017: Rupees 17.429 million), gratuity and compensated absences amounting to Rupees 6.460 million (2017: Rupees 4.290 million).





	Note	2018 (Rupees in thousand)	2017
<b>34. OTHER EXPENSES</b>			
Auditors' remuneration	34.1	5,910	5,468
Donations	34.2	15,025	31,074
Intangible assets under development written off		11,974	-
Loss on disposal of investment		78,007	15,200
Provision for doubtful debts		932	-
Workers' profit participation fund	12.4	379,134	501,390
Workers Welfare Fund		82,738	146,574
Provision for slow moving stores and spares		1,220	-
Provision for doubtful advances	25	4,243	-
Unrealized loss on remeasurements of forward contracts - shares		6,996	-
Miscellaneous		5,671	1,268
		<b>591,850</b>	<b>700,974</b>
<b>34.1 Auditors' remuneration</b>			
<b>Riaz Ahmad and Company</b>			
Audit fee		2,250	1,750
Certifications		107	105
Reimbursable expenses		336	280
		<b>2,693</b>	<b>2,135</b>
<b>KPMG Taseer Hadi and Company</b>			
Audit fee		1,668	1,450
Interim review		460	400
Interim audit and other certification		600	1,058
Reimbursable expenses		489	425
		<b>3,217</b>	<b>3,333</b>
		<b>5,910</b>	<b>5,468</b>
<b>34.2 Donations for the year have been given to:</b>			
Gulab Devi Hospital, Lahore		216	12,088
Miscellaneous donations in the form of cement		1,010	1,457
Bushra Shaheen		300	300
Jamia Masjaid, Iskindarabad		2,135	-
Founder Group		30	-
Police Welfare Middle School		2,500	8,150
DHQ Hospital, Mianwali		-	3,832
District Public School, Sargodha		-	2,334
Daud Khel Health Care Centre		6,518	1,124
Jahanara Memorial Trust		1,000	1,000
Beachon House National University		562	-
Icare Foundation		500	-
Police station, Daud Khel		216	-
Labor Office, Mianwali		38	-
Aitchison College		-	500
Tariq Niazi Hockey Stadium		-	169
Starfall Foundation		-	100
LCCI Founder Group		-	20
		<b>15,025</b>	<b>31,074</b>

34.3.1 None of the directors and their spouses have any interest in the donee's fund.

	Note	2018 (Rupees in thousand)	2017
<b>35. OTHER INCOME</b>			
<b>Income from financial assets:</b>			
Exchange gain - net		112,755	40,812
Gain on disposal of investments at fair value through profit or loss - net		252,499	1,919,530
Gain on remeasurement of fair value of investments at fair value through profit or loss		49,893	52,370
Amortization of held-to-maturity investment		29,858	23,458
Return on bank deposits		52,685	32,932
Interest on loans to employees		-	522
Dividend income		12,156	126,742
		509,846	2,196,366
<b>Income from non-financial assets:</b>			
Scrap sales		70,520	42,897
Gain on disposal of property, plant and equipment	17.2	1,583	26,383
Gain on remeasurement of investment property	18	3,085	5,612
Unrealized gain on remeasurement of future contracts - gold		10,145	-
Unrealized gain on remeasurement of gold at fair value less cost to sell		22,834	-
Miscellaneous		3,721	6,102
		111,888	80,994
		621,734	2,277,360
<b>36. FINANCE COST</b>			
<b>Mark up / finance charges / interest on:</b>			
Long term financing		297,412	80,044
Short term borrowings		520,328	259,638
Liabilities against assets subject to finance lease		3,071	24,142
Workers' profit participation fund	12.4	27,132	14,958
		847,943	378,782
Exchange loss - net		257,372	-
Bank charges and commission		62,076	63,182
		319,448	63,182
		1,167,391	441,964
<b>37. TAXATION</b>			
<b>Current</b>			
Current year		1,730,539	2,984,200
Prior year		(36,050)	17,290
		1,694,489	3,001,490
Deferred tax	11	(309,854)	16,895
		1,384,635	3,018,385



	Note	2018 (Rupees in thousand)	2017
<b>37.1 Reconciliation of tax charge for the year</b>			
Profit before tax		7,101,144	10,270,189
Tax on profit @ 30% (2017: 31%)		2,130,343	3,183,759
Tax effect of lower rate on certain income / expenses		(604,388)	(523,410)
Tax effect of exempt income / permanent differences		(95,156)	4,712
Tax effect of super tax		184,854	326,252
Tax effect on prior year adjustment		(36,050)	17,290
Tax effect final tax regime		(61,170)	-
Tax effect under section 65D		(202,183)	-
Tax effect - others		68,385	9,782
		1,384,635	3,018,385

### 37.2 Management assessment of sufficiency of current income tax provision

A comparison of provision on account of income taxes with most recent tax assessment for last three years is as follows:

Year ended 30 June		
2017	2016	2015

----- (Rupees in thousand) -----

Provision for taxation	2,955,637	1,137,143	941,286
*Tax assessed as per most recent tax assessment	2,714,436	932,010	824,334

Various appeals are pending at different appellate forums on various issues. The Group computes tax based on the generally accepted interpretations of the tax laws and considering views followed by tax authorities to ensure that the sufficient provision for the purpose of taxation is available. According to management, the tax provision made in the consolidated financial statements is sufficient.

\*This represents consolidated income tax payable per returns of income filed by the Group companies. As per section 120 of the Income Tax Ordinance, 2001, the return is taken to be an assessment order issued to the tax payer by the Commissioner on the day return was filed.

### 38. EARNINGS PER SHARE - BASIC AND DILUTED

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

	2018	2017 Restated
Profit attributable to ordinary shareholders of the Holding Company (Rupees in thousand)	3,524,928	4,672,586
Weighted average number of ordinary shares (Numbers)	295,080,469	285,178,699
Earnings per share (Rupees)	11.95	16.38

	Note	2018 (Rupees in thousand)	2017
<b>39. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		7,101,144	10,270,189
<b>Adjustment for non-cash charges and other items:</b>			
Depreciation		2,563,406	2,040,786
Amortization		8,395	3,826
Intangible assets under development written off		11,974	-
Finance cost		1,167,394	441,964
Gain on sale of property, plant and equipment		(1,583)	(26,383)
Gain on remeasurement of investment properties		(3,085)	(5,612)
Dividend income		(12,156)	(126,742)
Provision for doubtful debts		932	(23,458)
Unrealized loss on remeasurements of forward contracts - shares		6,996	-
Advances written off		4,243	-
Provision for slow moving stores and spares		1,220	-
Employees' retirement benefits		46,058	38,843
Return on bank deposits		(52,685)	(32,933)
Working capital changes	39.1	(2,106,642)	(2,285,528)
		<b>8,375,608</b>	<b>10,318,410</b>
<b>39.1 Working capital changes</b>			
<b>(Increase) / decrease in current assets:</b>			
Stores, spare parts and loose tools		(251,543)	(1,401,158)
Stock-in-trade		(457,530)	(234,339)
Trade debts		(737,698)	(375,866)
Loans and advances		(2,289,486)	37,990
Security deposits and short term prepayments		(10,785)	(141,186)
Short term investments - net		(666,294)	(592,199)
Other receivables		718,391	(581,708)
		<b>(3,694,945)</b>	<b>(3,288,466)</b>
Increase in trade and other payables		1,588,303	1,002,938
		<b>(2,106,642)</b>	<b>(2,285,528)</b>



### 39.2 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities from financing activities						Total
	Issued, subscribed and paid-up capital	Share premium	Long term financing	Liabilities against assets subject to finance lease	Short term borrowings	Unclaimed dividend	
----- (Rupees in thousand) -----							
Balance as at 01 July 2017	2,823,551	144,919	4,657,500	501,332	6,326,025	116,325	14,569,652
Proceeds from long term financing	-	-	11,090,924	-	-	-	11,090,924
Repayment of long term financing	-	-	(272,328)	-	-	-	(272,328)
Proceeds from issuance of right shares	169,413	841,158	-	-	-	-	1,010,571
Repayment of liabilities against assets subject to finance lease	-	-	-	(501,332)	-	-	(501,332)
Short term borrowings - net	-	-	-	-	3,662,731	-	3,662,731
Dividend declared	-	-	-	-	-	1,610,015	1,610,015
Dividend paid	-	-	-	-	-	(1,594,840)	(1,594,840)
Balance as at 30 June 2018	2,992,964	986,077	15,476,096	-	9,988,756	131,500	29,575,393

### 40. REMUNERATION OF CHIEF EXECUTIVE OFFICERS, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these consolidated financial statements in respect of remuneration including certain benefits to the Chief Executive Officers, Directors and Executives of the Group are given below:

	Chairman		Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017	2018	2017
----- (Rupees in Thousand) -----								
Managerial remuneration	26,273	20,412	47,704	33,865	44,317	40,884	187,805	159,064
Allowances								
House rent	4,641	3,024	5,816	1,135	4,889	4,513	46,105	49,021
Conveyance	-	-	2,303	2,018	1,500	1,248	10,999	8,278
Medical	-	-	794	905	409	848	9,804	7,510
Utilities	1,456	1,764	4,400	1,556	3,758	2,313	28,104	30,571
Special allowance	-	-	8,106	5,539	2,890	3,562	20,272	16,721
Bonus	-	-	-	-	-	-	-	70,000
Contribution to provident fund	2,109	1,688	3,372	2,176	3,521	2,818	15,872	12,911
	34,479	26,888	72,495	47,194	61,284	56,186	318,961	354,076
Number of persons	1	1	3	4	6	6	89	79

The Chief Executive Officers, Directors and some of the Executives are provided with the Group's maintained vehicles, free medical facilities and residential telephone facilities for both business and personal use.

Executives are provided with the vehicles in accordance with the Group's policy.

The aggregate amount charged in these consolidated financial statements in respect of directors' meeting fee paid to 4 (2017: 4) non-executive directors was Rupees 496,666 (2017: Rupees 396,000).

No remuneration was paid to non-executive directors of the Group.

#### 41. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiaries, associated undertakings, directors of the Group and their close relatives, key management personnel and staff retirement fund. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements are as follows:

	2018 (Rupees in thousand)	2017
Post employment benefit plan		
Contribution to provident fund	187,441	154,455
Contribution to gratuity fund	30,513	16,732

#### 42. PLANT CAPACITY AND ACTUAL PRODUCTION

Holding Company

SPINNING:

- Rawalpindi Division

Spindles (average) installed / worked

(Numbers)

	85,680	85,680
--	--------	--------

(Kilograms in thousand)

100% plant capacity converted into 20s count based on

3 shifts per day for 1,095 shifts (2017: 1,095 shifts)

	45,811	42,446
--	--------	--------

Actual production converted into 20s count based on

3 shifts per day for 1,095 shifts (2017: 1,095 shifts)

	41,331	39,574
--	--------	--------

(Numbers)

Rotors (average) installed / worked

	1,848	1848
--	-------	------

(Kilograms in thousand)

100% plant capacity converted into 20s count based on

3 shifts per day for 1,095 shifts (2017: 1,095 shifts)

	3,548	3,108
--	-------	-------

Actual production converted into 20s count based on

3 shifts per day for 1,095 shifts (2017: 1,095 shifts)

	3,075	2,680
--	-------	-------

(Numbers)

- Gujar Khan Division

Spindles (average) installed / worked

	71,808	71,808
--	--------	--------

(Kilograms in thousand)

100% plant capacity converted into 20s count based on

3 shifts per day for 1,095 shifts (2017: 1,095 shifts )

	40,821	38,978
--	--------	--------

Actual production converted into 20s count based on

3 shifts per day for 1,095 shifts (2017: 1,095 shifts)

	36,603	34,816
--	--------	--------



	2018	2017
<b>WEAVING:</b>		
	(Numbers)	
- Raiwind Division		
Looms installed / worked	288	288
	(Square meters in thousand)	
100% plant capacity at 60 picks based on 3 shifts per day for 1,095 shifts (2017: 1,095 shifts)	104,909	104,909
Actual production converted to 60 picks based on 3 shifts per day for 1,095 shifts (2017: 1,095 shifts)	95,710	93,764
<b>PROCESSING OF CLOTH :</b>		
	(Meters in thousand)	
- Rawalpindi Division		
Capacity at 3 shifts per day for 1,095 shifts (2017: 1,095 shifts)	42,090	42,090
Actual production at 3 shifts per day for 1,095 shifts (2017: 1,095 shifts)	14,613	17,986
<b>POWER PLANT:</b>		
	(Mega watts)	
- Rawalpindi Division		
Annual rated capacity based on 365 days (2017: 365 days)	163,987	163,987
Actual generation		
Main engines	30,595	48,527
Gas engines	27,763	20,307
- Raiwind Division		
Annual rated capacity based on 365 days (2017: 365 days)	96,360	96,096
Actual generation	38,098	40,341

### Stitching

The plant capacity of this division is indeterminable due to multi product plant involving varying processes of manufacturing and run length of order lots.

### REASONS FOR LOW PRODUCTION

- Due to stoppage for normal maintenance, doffing, change of spin plans and cloth quality and interruption in gas and electricity supply.
- Cloth processing units working capacity was limited to actual export / local orders in hand.
- The generation of power was limited to actual demand.

### Subsidiary Company - MLCFL

#### CEMENT: (Metric Tons in thousand)

<b>Clinker:</b>		
Annual rated capacity (Based on 300 days)	3,360	3,360
Annual production for the year	3,530	3,299





### 43.3 Geographical Information

43.3.1 The Group's revenue from external customers by geographical location is detailed below:

	2018 (Rupees in thousand)	2017
Europe	2,664,714	3,431,167
America	3,423,634	3,983,128
Asia, Africa, Australia	2,149,191	2,902,123
Pakistan	35,229,804	30,931,082
	<u>43,467,343</u>	<u>41,247,500</u>

43.3.2 All non-current assets as at reporting date are located and operated in Pakistan.

### 43.4 Revenue from major customers

Revenue from major customers whose revenue accounts for more than 10% of the segment's revenue in the Weaving segment was Rupees 361 million (2017: Rupees 679 million) whereas in the Processing and Home Textile segment was Rupees 2,190 million (2017: Rupees 4,524 million).

43.5 Based on the judgment made by the management, printing, dyeing and home textile operating segments of the Group have been aggregated into a single operating segment namely 'Processing and Home Textile' as these segments have similar economic characteristics in respect of nature of the products, nature of production process, type of customers, method of distribution and nature of regulatory environment.

## 44. PROVIDENT FUND RELATED DISCLOSURES

As at the reporting date, the provident fund trusts are in the process of regularizing investments in accordance with section 218 of the Companies Act, 2017 and the rules formulated for this purpose in terms of SRO 731(1)/2018 issued by Securities and Exchange Commission of Pakistan on 06 June 2018 which allows transition period of one year for bringing the trusts in conformity with the requirements of rules.

	2018 (Number of employees)	2017
Number of employees as on 30 June	6,357	5,952
This includes 5,015 (2017: 4,715) number of factory employees		
Average number of employees during the year	<u>6,253</u>	<u>6,301</u>

## 46. FINANCIAL RISK MANAGEMENT

### 46.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group's finance department under policies approved by the Board of Directors. The Group's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) 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 from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Euro, CHF and Yen. Currently, the Group's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Group's exposure to currency risk was as follows:

	2018	2017
	(Amounts in thousand)	
Cash at banks - USD	87	55
Cash at banks - GBP	2	2
Trade debts - USD	4,587	7,146
Trade and other payables - USD	6,600	-
Trade and other payables - Euro	-	23
Finance lease liability - USD	-	4,577
Outstanding letters of credit - USD	9,964	5,735
Outstanding letters of credit - Euro	18,991	82,117
Outstanding letters of credit - CHF	18	-
Outstanding letters of credit - Yen	-	10,486
Net exposure - USD	(11,890)	(3,111)
Net exposure - Euro	(18,991)	(82,140)
Net exposure - CHF	(18)	-
Net exposure - Yen	-	(10,486)
Net exposure - GBP	2	2

The following significant exchange rates were applied during the year:

	2018	2017
<b>Rupees per US Dollar</b>		
Average rate	110.01	104.61
Reporting date rate	121.60	104.80
<b>Rupees per Euro</b>		
Average rate	132.06	114.37
Reporting date rate	141.57	120.14
<b>Rupees per Yen</b>		
Average rate	1.01	0.96
Reporting date rate	1.10	0.94



	2018	2017
<b>Rupees per CHF</b>		
Average rate	113.88	105.83
Reporting date rate	122.32	109.75
<b>Rupees per GBP</b>		
Average rate	149.12	133.05
Reporting date rate	159.14	136.42

#### Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, Yen, CHF and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 11.405 million, Rupees Nil, Rupees Nil, Rupees Nil and Rupees 0.01 million (2017: Rupees 12.687 million, Rupees 0.468 million, Rupees Nil, Rupees Nil and Rupees 0.01 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

#### (ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk 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. The Group is also exposed to commodity price risk as it holds financial instruments based on commodity prices.

#### Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index and Pakistan Mercantile Exchange Limited (PMEX) Index on the Group's profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the indices had increased / decreased by 5% with all other variables held constant and all the Group's financial instruments moved according to the historical correlation with the indices:

Index	Impact on profit after taxation		Impact on statement of other comprehensive income	
	2018	2017	2018	2017
	----- (RUPEES IN THOUSAND) -----			
PSX 100 (5% increase)	10,438	12,725	-	-
PSX 100 (5% decrease)	(10,438)	(12,725)	-	-
PMEX (5% increase)	482	-	-	-
PMEX (5% decrease)	(482)	-	-	-

The Group's investment in mutual fund amounting to Rupees 3,235.229 million (2017: Rupees 1,322.317 million) is exposed to price risk due to change in Net Asset Value (NAV) of such fund.

As at 30 June 2018, if fair value (NAV) had been 1% higher / lower with all other variables held constant, profit before tax for the year would have been higher / lower by Rupees 27.499 million (2017: Rupees 10.909 million).

(iii) **Interest rate risk**

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

The Group has no significant long-term interest-bearing assets. The Group's interest rate risk arises from long term financing, liabilities against assets subject to finance lease and short term borrowings. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rate expose the Group to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Group's interest bearing financial instruments was:

	2018	2017
	(Rupees in thousand)	
<b>Fixed rate instruments</b>		
<b>Financial Assets</b>		
Short term investments	-	1,498,549
Bank balances at PLS account	333,001	224,984
<b>Financial liabilities</b>		
Long term financing	1,648,400	1,428,740
Short term borrowings	6,496,178	5,383,169
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - saving accounts	332,733	1,245,242
<b>Financial liabilities</b>		
Long term financing	13,827,696	3,228,760
Liabilities against assets subject to finance lease	-	501,332
Short term borrowings	3,754,512	875,207

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

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



### Cash flow sensitivity analysis for variable rate instruments

If interest rate at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 125.522 million (2017: Rupees 22.742 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

#### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 (Rupees in thousand)	2017 (Rupees in thousand)
Investments	3,480,826	3,214,826
Deposits	213,897	205,483
Trade debts	2,977,474	2,239,776
Accrued interest	2,454	2,628
Other receivables	224,007	191,844
Loans and advances	39,571	33,463
Bank balances	1,096,852	1,804,077
	<u>8,035,081</u>	<u>7,692,097</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.

	Rating			2018	2017
	Short term	Long term	Agency	(Rupees in thousand)	
<b>Banks</b>					
Allied Bank Limited	A1+	AA+	PACRA	632	2,589
Askari Bank Limited	A1+	AA+	PACRA	133,639	508,892
Bank Al-Habib Limited	A1+	AA+	PACRA	133,982	114,650
Bank Alfalah Limited	A1+	AA+	PACRA	6,276	7,248
Bank Islami Pakistan Limited	A1	A+	PACRA	214,161	124,267
The Bank of Punjab	A1+	AA	PACRA	33,665	3,929
Burj Bank Limited	A1	A	PACRA	9	9
Dubai Islamic Bank Pakistan Limited	A-1	AA-	JCR-VIS	2,669	741
Faysal Bank Limited	A1+	AA	PACRA	25,018	5,011
Habib Bank Limited	A-1+	AAA	JCR-VIS	44,097	16,572
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	59,546	65,968
Meezan Bank Limited	A-1+	AA	JCR-VIS	10,452	30,384
MCB Bank Limited	A1+	AAA	PACRA	230,961	799,582
National Bank of Pakistan	A1+	AAA	PACRA	21,420	24,014
MCB Islamic Bank Limited	A1+	AA-	PACRA	33,392	49,619
Samba Bank Limited	A-1+	AA	JCR-VIS	10,149	-
Silk Bank Limited	A-2	A-	JCR-VIS	61	63
Soneri Bank Limited	A1+	AA-	PACRA	127	1,263
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	2,515	2,515
Summit Bank Limited	A-1	A-	JCR-VIS	-	25
United Bank Limited	A-1+	AAA	JCR-VIS	119,635	31,775
U Micro finance Bank Limited	A-2	A	JCR-VIS	899	899
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	13,547	14,044
First Women Bank Limited	A2	A-	PACRA	-	18
				<u>1,096,852</u>	<u>1,804,077</u>

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 24 to these consolidated financial statements.

Due to the Group's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2018, the Group had Rupees 8,364 million (2017: Rupees 3,734 million) available borrowing limits from financial institutions and Rupees 1,104.743 million (2017: Rupees 1,817.174 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2018.

#### Holding Company

Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
-----------------	------------------------	-----------------	------------	----------	-------------------

----- (Rupees in thousand) -----

#### Non-derivative financial liabilities:

Long term financing	1,723,400	1,850,043	216,172	214,318	412,230	1,007,323
Trade and other payables	1,433,253	1,433,253	1,433,253	-	-	-
Accrued mark-up	53,646	53,646	53,646	-	-	-
Short term borrowings	4,203,854	4,282,507	4,282,507	-	-	-
Unclaimed dividend	20,757	20,757	20,757	-	-	-
	<u>7,434,910</u>	<u>7,649,911</u>	<u>6,016,040</u>	<u>214,318</u>	<u>412,230</u>	<u>1,007,323</u>

#### Subsidiary Company

Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
-----------------	------------------------	------------------	----------------------	-------------------

----- (Rupees in thousand) -----

#### Non-derivative financial liabilities:

Long term loans from banking	13,752,696	20,391,834	1,934,266	11,792,200	6,665,369
Long term deposits	8,714	8,714	-	8,714	-
Retention money payable	310,735	388,660	-	388,660	-
Trade and other payables	3,642,426	3,642,426	3,642,426	-	-
Unclaimed dividend	110,743	110,743	110,743	-	-
Accrued mark-up	286,162	286,162	286,162	-	-
Short term borrowings	5,784,902	5,784,902	5,784,902	-	-
	<u>23,896,378</u>	<u>30,613,441</u>	<u>11,758,499</u>	<u>12,189,574</u>	<u>6,665,369</u>

#### Derivative financial liabilities:

Unrealised loss on re-measurement of futures contracts - shares	12,680	12,680	12,680	-	-
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Contractual maturities of financial liabilities as at 30 June 2017.

#### Holding Company

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
----- (Rupees in thousand) -----						
<b>Non-derivative financial liabilities:</b>						
Long term financing	1,553,740	1,754,713	142,319	193,371	394,995	1,024,028
Liabilities against assets subject to finance lease	20,717	20,966	20,966	-	-	-
Trade and other payables	1,195,875	1,195,875	1,195,875	-	-	-
Accrued mark-up	44,228	44,228	44,228	-	-	-
Short term borrowings	3,187,866	3,231,994	3,231,994	-	-	-
Unclaimed dividend	15,106	15,106	15,106	-	-	-
	<u>6,017,532</u>	<u>6,262,882</u>	<u>4,650,488</u>	<u>193,371</u>	<u>394,995</u>	<u>1,024,028</u>

#### Subsidiary Company

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
----- (Rupees in thousand) -----					
<b>Non-derivative financial liabilities:</b>					
Long term loans from banking	3,103,760	3,623,846	473,133	2,879,224	271,489
Liabilities against assets subject to finance lease	480,615	484,974	188,196	296,778	-
Long term deposits	8,699	8,699	-	8,699	-
Trade and other payables	1,892,921	1,892,921	1,892,921	-	-
Accrued mark-up	101,465	101,465	101,465	-	-
Unclaimed dividend	101,219	101,219	101,219	-	-
Short term borrowings	3,138,159	3,138,159	3,138,159	-	-
	<u>8,826,838</u>	<u>9,351,283</u>	<u>5,895,093</u>	<u>3,184,701</u>	<u>271,489</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark-up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 6, note 7, note 13 and note 14 to these financial statements.

## 46.2 Financial instruments by categories

Loans and receivables	Through profit or loss	Held to maturity	Total
-----------------------	------------------------	------------------	-------

------(Rupees in thousand)-----

As at 30 June 2018

Assets as per consolidated statement of financial position

Investments	-	3,480,826	-	3,480,826
Deposits	213,897	-	-	213,897
Trade debts	2,977,474	-	-	2,977,474
Accrued interest	2,454	-	-	2,454
Other receivables	213,862	10,145	-	224,007
Loans and advances	39,571	-	-	39,571
Cash and bank balances	1,104,743	-	-	1,104,743
	<u>4,552,001</u>	<u>3,490,971</u>	<u>-</u>	<u>8,042,972</u>

Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost
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------(Rupees in thousand)-----

Liabilities as per consolidated statement of financial position

Long term financing	-	15,476,096
Long term deposits	-	8,714
Retention money payable	-	310,735
Short term borrowings	-	9,988,756
Trade and other payables	-	5,075,679
Accrued mark-up	-	339,808
Unclaimed dividend	-	131,500
Unrealised loss on re-measurement of futures contracts - shares	12,680	-
	<u>12,680</u>	<u>31,331,288</u>





Loans and receivables	Through profit or loss	Held to maturity	Total
-----------------------	------------------------	------------------	-------

------(Rupees in thousand)-----

As at 30 June 2017

Assets as per consolidated statement of financial position

Investments	-	1,716,277	1,498,549	3,214,826
Deposits	205,483	-	-	205,483
Trade debts	2,239,776	-	-	2,239,776
Accrued interest	2,628	-	-	2,628
Other receivables	191,844	-	-	191,844
Loans and advances	33,463	-	-	33,463
Cash and bank balances	1,817,174	-	-	1,817,174
	<u>4,490,368</u>	<u>1,716,277</u>	<u>1,498,549</u>	<u>7,705,194</u>

Financial liabilities at  
amortized cost

(Rupees in thousand)

Liabilities as per consolidated statement of financial position

Long term financing	4,657,500
Long term deposits	8,699
Liabilities against assets subject to finance lease	501,332
Short term borrowings	6,326,025
Trade and other payables	3,088,796
Accrued mark-up	145,693
Unclaimed dividend	116,325
	<u>14,844,370</u>

### 46.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, liabilities against assets subject to finance lease and short term borrowings obtained by the Group as referred to in Note 6, Note 7 and Note 14 respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'. The gearing ratio as at year ended 30 June 2018 and 30 June 2017 is as follows:

	2018	2017 Restated
	(Rupees in thousand)	
Borrowings	25,464,852	11,484,857
Total equity	39,816,570	32,778,470
Total capital employed	<u>65,281,422</u>	<u>44,263,327</u>
Gearing ratio	39.01%	25.95%

## 47. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

### (i) Fair value hierarchy

Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements	30 June 2018			
	Level 1	Level 2	Level 3	Total
----- ( Rupees in thousand ) -----				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	3,480,826	-	-	3,480,826
Unrealised gain on re-measurement of futures contracts - gold	10,145	-	-	10,145
<b>Total financial assets</b>	<b>3,490,971</b>	<b>-</b>	<b>-</b>	<b>3,490,971</b>
<b>Financial liabilities</b>				
Unrealised loss on re-measurement of futures contracts - shares	12,680	-	-	12,680
<b>Total financial liabilities</b>	<b>12,680</b>	<b>-</b>	<b>-</b>	<b>12,680</b>

Recurring fair value measurements	30 June 2017			
	Level 1	Level 2	Level 3	Total
----- ( Rupees in thousand ) -----				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	3,214,826	-	-	3,214,826
<b>Total financial assets</b>	<b>3,214,826</b>	<b>-</b>	<b>-</b>	<b>3,214,826</b>

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair values.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements as the Group has no investments which are classified under level 3 of fair value hierarchy table.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.



(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices.

48. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

(i) Fair value hierarchy

The judgments and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the following three levels.

At 30 June 2018	Level 1	Level 2	Level 3	Total
----- ( Rupees in thousand ) -----				
Investment properties	-	1,792,755	-	1,792,755
Freehold land	-	2,725,309	430,096	3,155,405
Investment in gold	400,294	-	-	400,294
<b>Total non-financial assets</b>	<b>400,294</b>	<b>4,518,064</b>	<b>430,096</b>	<b>5,348,454</b>

At 30 June 2017	Level 1	Level 2	Level 3	Total
----- ( Rupees in thousand ) -----				
Investment properties	-	1,789,670	-	1,789,670
Freehold land	-	2,704,718	430,096	3,134,814
<b>Total non-financial assets</b>	<b>-</b>	<b>4,494,388</b>	<b>430,096</b>	<b>4,924,484</b>

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

(ii) Valuation techniques used to determine level 1 & 2 fair values

The Group obtains independent valuations for its investment properties at least annually and for its freehold land (classified as property, plant and equipment) at least every three years. The management updates the assessment of the fair value of each property, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates. The best evidence of fair value of land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building.

Investment in gold is non-financial asset. Its fair value is based on the quoted market price in active markets.

## Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year and for freehold land at least every three years. As at 30 June 2018, the fair values of the investment properties and free hold land have been determined by Anderson Consulting (Private) Limited. MLCFL's freehold land was revalued by Arif Evaluators, an independent valuer approved by Pakistan Banks' Association (PBA) in "any amount" category, at 22 June 2015.

Changes in fair values are analyzed at each reporting date during the annual valuation discussion between the Chief Financial Officer and the valuers. As part of this discussion the team presents a report that explains the reason for the fair value movements.

## 49. INTEREST IN OTHER ENTITIES

The Group's principal subsidiaries as at 30 June 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interest held equals the voting rights held by the Group. The country of the incorporation or registration is also their principal place of business.

Name of the entity	Place of business / country of incorporation	Ownership interest held by the Group		Owner ship interest held by non-controlling interests		Principal Activities
		2018	2017	2018	2017	
Maple Leaf Cement Factory Limited	Pakistan	55.22%	55.22%	44.78%	44.78%	Production and sale of cement
Maple Leaf Capital Limited	Pakistan	82.92%	82.92%	17.08%	17.08%	To buy, sell, hold, or otherwise acquire or invest capital in financial instruments
Maple Leaf Power Limited	Pakistan	55.22%	55.22%	44.78%	44.78%	Generation, sale and supply of electricity

### 49.1 Non controlling interests (NCI)

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Maple Leaf Cement Factory Limited		Maple Leaf Capital Limited		Maple Leaf Power Limited	
	2018	2017	2018	2017	2018	2017
----- Rupees in thousand -----						
<b>Summarized statement of financial position</b>						
Current assets	12,731,681	10,411,631	4,904,755	4,977,985	1,507,513	448,845
Current liabilities	11,953,924	7,764,031	130,852	463,753	1,164,110	470,020
<b>Current net assets</b>	<b>777,757</b>	<b>2,647,600</b>	<b>4,773,903</b>	<b>4,514,232</b>	<b>343,403</b>	<b>(21,175)</b>
Non-current assets	45,996,847	28,405,142	3,915	5,245	5,405,449	4,661,987
Non-current liabilities	16,863,465	7,344,681	-	-	-	-
<b>Non-current net assets</b>	<b>29,133,382</b>	<b>21,060,461</b>	<b>3,915</b>	<b>5,245</b>	<b>5,405,449</b>	<b>4,661,987</b>
<b>Net assets</b>	<b>29,911,139</b>	<b>23,708,061</b>	<b>4,777,818</b>	<b>4,519,477</b>	<b>5,748,852</b>	<b>4,640,812</b>
<b>Summarized statement of comprehensive income</b>						
Revenue	25,699,113	23,992,079	340,608	1,738,377	2,591,719	-
Profit / (loss) for the year	3,632,201	4,777,081	258,341	1,201,003	758,040	(7,307)
Other comprehensive (loss) / income	(20,275)	(14,517)	-	-	-	-
Profit / (loss) allocated to NCI	1,626,500	2,139,177	44,125	205,131	339,450	(3,272)
Dividend paid to NCI	812,341	1,063,456	-	-	-	-
<b>Summarized statement of cash flows</b>						
Cash from / (used in) operating activities	5,771,557	5,623,810	(990,225)	(367,455)	356,097	(178,594)
Cash (used in) / from investing activities	(19,736,988)	(6,760,132)	35,353	3,882	(1,113,810)	(3,843,136)
Cash from / (used in) financing activities	13,170,378	909,623	-	1,400,985	774,481	4,010,000
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(795,053)</b>	<b>(226,699)</b>	<b>(954,872)</b>	<b>1,037,412</b>	<b>16,768</b>	<b>(11,730)</b>

## 50. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 18 September 2018 by the Board of Directors of the Holding Company.

## 51. NON ADJUSTING EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION

51.1 The Board of Directors of the Holding Company in their meeting held on 18 September 2018 has proposed a final cash dividend of Rupee 1 per share (10%) amounting to Rupees 299.296 million (2017: Rupees 423.533 million) for the year ended 30 June 2018.

The Board of Directors of the Subsidiary Company (MLCFL) in their meeting held on 17 September 2018 has proposed a final cash dividend of Rupee 1 per share (10%) amounting to Rupees 593.701 million (2017: Rupee 923.534 million) for the year ended 30 June 2018.

Approval of the Members of both the Companies for the final dividend shall be obtained at Annual General Meetings to be held on 27 October 2018. The consolidated financial statements for the year ended 30 June 2018 do not include the effect of the proposed final cash dividend which shall be accounted for in the period ending 30 June 2019.

## 52. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. To comply with the requirements of the Companies Act, 2017, unclaimed dividend has been reclassified from trade and other payables and presented on the face of the consolidated statement of financial position. Restatement due to change in accounting policy relating to surplus on revaluation of freehold land and investment properties described in the note 2.28. Except for these, no significant rearrangements have been made.

## 53. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless stated otherwise.



CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**KOHINOOR TEXTILE MILLS LIMITED**  
42-LAWRENCE ROAD, LAHORE

## PROXY FORM

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of **KOHINOOR TEXTILE MILLS LIMITED** hereby appoint \_\_\_\_\_

Name (Folio / CDC A/c No. if Member)

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

Name (Folio / CDC A/c No. if Member)

of \_\_\_\_\_

as my/our proxy to attend, speak and vote for and on my/our behalf at the 50th Annual General Meeting of the Company to be held at its Registered Office, 42-Lawrence Road, Lahore, on **Saturday, October 27, 2018 at 12:00 Noon** and/or any adjournment thereof.

As witnessed given under my/our hand(s) \_\_\_\_\_ day of October, 2018.

**1. Witness:**

**2. Witness:**

Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
CNIC : \_\_\_\_\_  
Address : \_\_\_\_\_  
: \_\_\_\_\_

Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
CNIC : \_\_\_\_\_  
Address : \_\_\_\_\_  
: \_\_\_\_\_

Affix  
Revenue  
Stamp of Rs. 5/-

\_\_\_\_\_  
Signature of Member / Attorney

**Notes:**

- Proxies, in order to be effective, must be received at the Company's Registered Office not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
- CDC Shareholders, entitled to attend, speak and vote at this meeting, must bring with them their Computerized National Identity Cards (CNIC) / Passports in original to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her CNIC or Passport.
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee should be attached with the proxy form.

Shares Held: \_\_\_\_\_

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

CNIC No. 

						-									-	
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AFFIX  
CORRECT  
POSTAGE

The Company Secretary

KOHINOOR TEXTILE MILLS LIMITED  
42-LAWRENCE ROAD, LAHORE  
Tel: 042-36302261-62





# کوہ نور ٹیکسٹائل ملز لمیٹڈ

42- لارنس روڈ، لاہور

## تشکیل نیابت داری

میں/ہم \_\_\_\_\_  
 ساکن \_\_\_\_\_  
 بحیثیت حصہ دار کوہ نور ٹیکسٹائل ملز لمیٹڈ  
 (ممبر کا نام)  
 یا بصورت دیگر \_\_\_\_\_  
 (ممبر کا نام)  
 ساکن \_\_\_\_\_  
 کو اپنی جگہ بروز ہفتہ 27 اکتوبر 2018ء کو دوپہر بارہ  
 (12:00) بجے رجسٹرڈ آفس 42- لارنس روڈ لاہور میں منعقدہ یا ملتوی ہونے والے 50 ویں اجلاس عام میں شرکت کرنے، بولنے اور ووٹ دینے  
 کے لیے اپنا نمائندہ مقرر کرتا/کرتی ہوں۔

مورخہ \_\_\_\_\_ اکتوبر 2018ء

دستخط \_\_\_\_\_  
 (ممبر/مجازی)

5 روپے کارسیدی ٹکٹ  
 چسپاں کر کے دستخط کریں

گواہان

1. دستخط \_\_\_\_\_ نام \_\_\_\_\_  
 2. دستخط \_\_\_\_\_ نام \_\_\_\_\_  
 شناختی کارڈ نمبر \_\_\_\_\_ شناختی کارڈ نمبر \_\_\_\_\_  
 پتہ \_\_\_\_\_ پتہ \_\_\_\_\_

حاصل عام حصص \_\_\_\_\_

سی ڈی سی کا شناختی آئی ڈی اور اکاؤنٹ نمبر \_\_\_\_\_ فوٹو نمبر \_\_\_\_\_

کمپیوٹرائزڈ شناختی کارڈ نمبر \_\_\_\_\_

نوٹس:

- (1) پراسیز کے موثر ہونے کیلئے لازم ہے کہ وہ اجلاس سے 48 گھنٹے قبل بمعہ دستخط گواہان اور رسیدی ٹکٹ کمپنی کو موصول ہو جانی چاہئیں۔
- (2) سی ڈی سی حصص داران اجلاس ہذا میں شرکت کرنے، بولنے اور ووٹ دینے کیلئے اہل ہیں اور اپنی شناخت ثابت کرنے کے لیے اپنے اصلی کمپیوٹرائزڈ قومی شناختی کارڈ / پاسپورٹ ساتھ لائیں اور پراسیز کی صورت میں اپنے کمپیوٹرائزڈ قومی شناختی کارڈ / پاسپورٹ کی تصدیق شدہ کاپی ساتھ لگائیں۔ کارپوریٹ ممبر کے نمائندے کی حیثیت سے شرکت کی صورت میں ضروری متعلقہ کاغذات ساتھ لائیں۔

AFFIX  
CORRECT  
POSTAGE

The Company Secretary

KOHINOOR TEXTILE MILLS LIMITED

42-LAWRENCE ROAD, LAHORE

Tel: 042-36302261-62



## ڈائریکٹرز رپورٹ (کنسلٹیڈ)

ڈائریکٹرز 30 جون 2018 کو ختم ہونے والے سال کے لئے کوہنور ٹیکسٹائل ملز لمیٹڈ (ہولڈنگ کمپنی) اور اسکی ذیلی کمپنیوں میں ایف سی بی سی سی ٹیکسٹائل لمیٹڈ (55.22%)، میں ایف سی بی سی ٹیکسٹائل لمیٹڈ (55.22%) اور میں ایف سی بی سی ٹیکسٹائل لمیٹڈ (82.92%) (باہم ایک گروپ) کے نظر ثانی شدہ اہتمام شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ گروپ نے گزشتہ سال کے 12,255 ملین روپے کے مقابلے میں 11,300 ملین روپے کا مجموعی منافع کمایا ہے۔ گروپ نے اس سال 7,101 ملین روپے کا قبل از ٹیکس منافع کمایا جو گزشتہ سال 10,270 ملین روپے تھا۔ گروپ کے مجموعی نتائج حسب ذیل ہیں:

2017	2018	
روپے ملین میں		
41,248	43,467	مجموعی فروخت
12,255	11,300	مجموعی منافع
10,712	8,269	آپریشنز سے نفع
442	1,167	مالی اخراجات
7,252	5,717	بعد از ٹیکس خالص منافع
Restated	روپے	فی حصص آمدنی۔ بنیادی اور ڈائریکٹرز
16.38	11.95	

### ذیلی کمپنیاں

#### میں ایف سی بی سی ٹیکسٹائل لمیٹڈ

اس نے گزشتہ سال کی فروخت میں 7.11% کا اضافہ درج کیا ہے۔ 29.25% کا مجموعی منافع 2017 (39.52%: کی رقم 7,516 ملین روپے (30 جون 2017: 9,482 ملین روپے) ظاہر کیا گیا ہے۔ اس نے ٹیکس کے بعد منافع 3,632 ملین روپے منافع کمایا ہے۔ (30 جون 2017: 4,777 ملین روپے)۔ میں ایف سی بی سی ٹیکسٹائل لمیٹڈ نے موجودہ سائٹ کے ساتھ 7,300 ٹن پومیہ سیمنٹ پیداوار کی ایک اضافی پیداواری لائن قائم کرنے کے لیے کام شروع کیا ہے۔ اس منصوبہ سے کمپنی کی پیداوار اور منافع میں معنی خیز اضافہ ہوگا۔

#### میں ایف سی بی سی ٹیکسٹائل لمیٹڈ

ذیلی کمپنی (MLPL) نے موجودہ سال کے دوران ٹیکس کے بعد منافع 758 ملین روپے (30 جون 2017: 7 ملین روپے خسارہ)

#### میں ایف سی بی سی ٹیکسٹائل لمیٹڈ

ذیلی کمپنی (MLCL) نے بعد از ٹیکس منافع 258 ملین روپے (2017: 1,201 ملین روپے) کمایا ہے۔

ڈائریکٹرز گروپ کے ارکان، مالیاتی اداروں، صارفین اور ملازمین کے تعاون اور حمایت کے شکر گزار ہیں۔ وہ مختلف ڈویژنوں میں کام کرنے والے ملازمین کی سخت محنت اور لگن کو بھی سراہتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز



سید محسن رضاقوی  
ڈائریکٹر



توفیق سعید سہگل  
چیف ایگزیکٹو آفیسر

لاہور: 18 ستمبر 2018

## ہیومن ریسورس اور ریمزیشن کمیٹی

نام	عہدہ
جناب شفیق احمد خان	چیرمین / آزاد ڈائریکٹر
جناب عارف اعجاز	رکن / انان ایگزیکٹو ڈائریکٹر
جناب سعید طارق سہگل	رکن / انان ایگزیکٹو ڈائریکٹر
جناب دانیال توفیق سہگل	ایگزیکٹو ڈائریکٹر

سال کے دوران ہیومن ریسورس اور ریمزیشن کمیٹی کا ایک (01) اجلاس منعقد ہوا (تمام ارکان نے 17 نومبر 2017 کو منعقدہ اجلاس میں شرکت کی)۔ تاہم، جناب شفیق احمد خان نے جناب عارف اعجاز کی جگہ یکم جنوری 2018 سے HR & R کمیٹی میں بحیثیت چیرمین شامل ہوئے۔

### آزاد اور انان ایگزیکٹو ڈائریکٹرز کے لئے مشاہرہ

بورڈ آف ڈائریکٹرز نے ایک "ڈائریکٹرز ریمزیشن پالیسی" منظور کی ہے، جس کی خصوصیات درج ذیل ہیں:

☆ کوئی ڈائریکٹر خود اپنا مشاہرہ متعین نہیں کرے گا۔

☆ ریگولر پیڈ چیف ایگزیکٹو، سپانسرز اور ایفیلی ڈائریکٹرز اور کل وقتی کام کرنے والے ڈائریکٹرز کے علاوہ ایک ڈائریکٹر کی اجلاس فیس بغیر ٹیکس خالص رقم 10,000 روپے (دس ہزار روپے صرف) فی اجلاس یا بورڈ اور اسکی کمیٹی کے اجلاس میں شرکت کے لئے بورڈ کی طرف سے وقتاً فوقتاً متعین کردہ کے مطابق ہوگی۔

☆ موجودہ وقت کے لئے اور/یا بعد میں ترمیم شدہ لاگو ایسی ادائیگی پر اگر کوئی ٹیکس کی ذمہ داری ہوئی تو کمپنی برداشت کرے گی۔

☆ کمپنی کے لئے اور کی جانب سے منعقدہ اجلاسوں میں شرکت اور دیگر امور کے لئے ڈائریکٹرز کی طرف سے خرچ کئے جانے والے تمام اخراجات، بشمول سفری، ہوٹل چارجز اور دیگر اخراجات کمپنی سے وصول کرنے کے اہل ہوں گے۔

### شیر ہولڈنگ کا نمونہ

30 جون 2018 کے مطابق کمپنی ایکٹ 2017 کے تحت کمپنی کے شیر ہولڈنگ کا نمونہ منسلک کیا گیا ہے۔

### اظہار تشکر

بورڈ اس موقع پر حصص داران، ملازمین، گاہکوں، بینکوں اور دیگر اسٹیک ہولڈرز کے اعتماد اور یقین جو انہوں نے ہمیشہ ہم پر کیا، کے لئے دل کی گہرائیوں سے شکریہ ادا کرتا ہے۔

### منجانب بورڈ



(سید محسن رضا نقوی)

ڈائریکٹر



(توفیق سعید سہگل)

چیف ایگزیکٹو آفیسر

لاہور: 18 ستمبر 2018ء



**ترتیب:**

01	آزاد ڈائریکٹرز
04	نان ایگزیکٹو ڈائریکٹرز
03	ایگزیکٹو ڈائریکٹرز

**ڈائریکٹرز کے نام اور بورڈ کے اجلاس**

زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کے چھ (06) اجلاس پاکستان میں منعقد ہوئے ہیں اور پاکستان سے باہر کوئی اجلاس منعقد نہیں ہوا۔ ہر ایک ڈائریکٹر کی طرف سے حاضری مندرجہ ذیل ہے:

نام	عہدہ	اجلاسوں میں حاضری
جناب شفیق احمد خان	آزاد ڈائریکٹر	5
جناب طارق سعید سہگل	نان ایگزیکٹو ڈائریکٹر	6
جناب سعید طارق سہگل	نان ایگزیکٹو ڈائریکٹر	6
جناب ولید طارق سہگل	نان ایگزیکٹو ڈائریکٹر	2
جناب عارف اعجاز	نان ایگزیکٹو ڈائریکٹر	6
جناب توفیق سعید سہگل	ایگزیکٹو ڈائریکٹر	6
جناب دانیال توفیق سہگل	ایگزیکٹو ڈائریکٹر	6
سید محسن رضا نقوی	ایگزیکٹو ڈائریکٹر	5

اجلاس میں شرکت نہ کر سکنے والے ارکان کو غیر شرکت کی باقاعدہ اجازت دی گئی تھی۔

مندرجہ ذیل ایگزیکٹو ڈائریکٹرز دوسری کمپنیوں میں نان ایگزیکٹو ڈائریکٹرز بھی ہیں

عہدہ	نام	دیگر کمپنیوں میں نظامت کی تعداد
ایگزیکٹو ڈائریکٹر	جناب توفیق سعید سہگل	3
ایگزیکٹو ڈائریکٹر	جناب دانیال توفیق سہگل	3
ایگزیکٹو ڈائریکٹر	سید محسن رضا نقوی	2

لسٹڈ کمپنیز (کوڈ آف کارپوریشن گورننس) ریگولیشنز 2017 کی ضروریات کے مطابق، درج ذیل کمیٹیاں دوبارہ تشکیل دی گئی ہیں:

**آڈٹ کمیٹی**

زیر جائزہ سال کے دوران، آڈٹ کمیٹی کے کل پانچ (5) اجلاس منعقد ہوئے اور ہر رکن کی حاضری مندرجہ ذیل ہے:

نام	عہدہ	اجلاسوں میں شرکت
جناب شفیق احمد خان	چیئرمین / آزاد ڈائریکٹر	5
جناب عارف اعجاز	رکن / نان ایگزیکٹو ڈائریکٹر	5
جناب سعید طارق سہگل	رکن / نان ایگزیکٹو ڈائریکٹر	5
جناب ولید طارق سہگل	ایگزیکٹو ڈائریکٹر	-

اجلاس میں شرکت نہ کر سکنے والے ارکان کو غیر شرکت کی باقاعدہ اجازت دی گئی تھی۔

تاہم، جناب ولید طارق سہگل کی کمیٹی میں شامل ہونے۔



## کارپوریٹ سماجی ذمہ داری

کمپنی معاشرے کی طرف اپنی ذمہ داری قبول کرتی ہے اور مختلف خیراتی اداروں کے ذریعے سماجی ترقی کے منصوبوں کو مستقل بنیاد پر مالی مدد فراہم کر کے اپنی ذمہ داری کو پورا کرتی ہے۔ کمپنی کو پاکستان کے مرکز برائے خدمت خلق کی طرف سے سماجی اور خیراتی اداروں کے رہنما کے طور پر تسلیم کیا گیا ہے اور ان کیونٹریز جس میں اس کی موجودگی ہے، کی تخلیقی ممبر بننے کی کوشش کرتی ہے۔

کمپنی نے میڈیکل سوشل سائنسز پروجیکٹ میں حصہ لیا ہے اور اس سلسلے میں، موجودہ سال کے دوران، کمپنی کے بورڈ آف ڈائریکٹرز اور ہولڈنگ کمپنی کے بورڈ نے گلاب دیوی چیپٹل ہاسپٹل (GDCH) لاہور میں اعلیٰ میڈیکل کالج کی تعمیر کی خاطر گلاب دیوی ایجوکیشنل کمپلیکس، لاہور کو 132.495 ملین روپے عطیہ دینے کا مشورہ کیا ہے۔ کمپنی نے ماضی میں بھی میڈیکل سوشل سائنسز پروجیکٹ میں حصہ لیا اور اس سلسلے میں، کمپنی نے گلاب دیوی چیپٹل ہاسپٹل (GDCH) لاہور میں سعید سہگل کارڈیک کمپلیکس تعمیر کر کے ایک جدید کارڈیک سہولت عطیہ کی تھی۔

کوہ نور میپل لیف گروپ نے "ساتواں سوشل رسپانسٹیبل ایجنسی ایورڈ" مختلف سماجی ذمہ داریوں کی کارکردگی کے سبب حاصل کیا ہے۔

## کمپنی کے کاروبار کے ماحول پر اثرات

انتظامیہ ملز کے احاطے سے اخراج کے بعد ارد گرد کے علاقوں میں آلودہ پانی کے نقصان دہ اثرات کو سمجھتی ہے۔ ارد گرد کے واٹر ٹیبل پر پروسیدنگ میں استعمال ہونے والے کسی بھی کیمیکل کے ممکنہ طور پر نقصان دہ اثرات کو روکنے کے لئے، فیکٹری سے خارج ہونے والے پانی میں کسی آلودگی کو کم سے کم یا ختم کرنے کے لئے ایک ویسٹ واٹر ٹریٹمنٹ پلانٹ تعمیر کیا ہے۔ اس کے علاوہ، کمپنی اہم منصوبوں کو متبادل پائیدار انرجی ذرائع میں تحقیق اور عملدرآمد کو جاری رکھتی ہے۔

## کانی داخلی کنٹرول

یکسٹرنل موثر اور آپریشنز کے موثر انعقاد، کمپنی کے اثاثوں کی حفاظت، لاگو قوانین و ضوابط کی پاسداری اور قابل اعتماد فنانشل رپورٹنگ کو یقینی بنانے کیلئے داخلی مالیاتی کنٹرول کا ایک موثر نظام قائم کیا ہے۔

کمپنی کا آزاد داخلی آڈٹ فنکشن مالی کنٹرول کے عملدرآمد کا باقاعدگی سے جائزہ اور نگرانی کرتا ہے، جبکہ آڈٹ کمیٹی سہ ماہی بنیاد پر داخلی کنٹرول فریم ورک اور مالی حسابات کی موثرگی کا جائزہ لیتی ہے۔

## مالی حسابات کی تیاری اور نمائندگی کیلئے انتظامیہ کی ذمہ داری

انتظامیہ پاکستان میں لاگو کاؤنٹنگ اور رپورٹنگ معیارات اور کنونینس ایکٹ 2017 (XIX of 2017) کی ضروریات کے مطابق مالی حسابات کی تیاری اور نمائندگی کے لئے اپنی ذمہ داری سے آگاہ ہے اور ایسا داخلی کنٹرول جو انتظامیہ متعین کرے، مالی حسابات کی تیاری کو فعال بنانے کے لئے ضروری ہے جو کسی مواد کی غلطی سے پاک ہو، چاہے وہ دھوکہ دہی یا سہواً ہو۔

## آڈیٹرز کی رپورٹ

آڈیٹرز نے کمپنی کے الگ اور مجموعی مالی حسابات پر ان کو ایفائیڈ رائے کا اظہار کیا ہے۔

## آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، نے کمپنی کے مالی حسابات پر نظر ثانی کی ہے اور ارکان کو رپورٹ جاری کر دی ہے۔ آڈیٹرز سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے۔ ریٹائر آڈیٹرز نے اہل ہونے کی بنا پر، دوبارہ تقرری کے لئے خود کو پیش کیا ہے، آئندہ سالانہ اجلاس عام میں ارکان کی منظوری کے حوالہ سے بورڈ نے آڈٹ کمیٹی کی تجویز کے مطابق میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کی آڈیٹرز کی حیثیت سے تقرری کی منظوری دے دی ہے۔

## بورڈ آف ڈائریکٹرز کی ترتیب

ڈائریکٹرز کی کل تعداد:

8 (a)۔ مرد

کوئی نہیں (b)۔ خاتون



نقد منافع منقسمہ کے علاوہ ہے جو 1.25 روپے فی شیئر (12.50%) پہلے ہی ادا کر دیا گیا، اس طرح مجموعی نقد منافع منقسمہ 2.25 روپے فی شیئر (22.50%) بنتا ہے۔

ڈائریکٹرز نے حسب ذیل سفارشات کیا ہے:

روپے ہزاروں میں	تفصیل:
2,154,091	ٹیکس سے پہلے منافع
(489,769)	ٹیکس کی فراہمی
<u>1,664,322</u>	ٹیکس کے بعد منافع
(423,533)	30 جون 2017 مختتمہ سال کے لئے اعلان کردہ حتمی منافع منقسمہ
(374,121)	30 جون 2018 مختتمہ سال کے لئے اعلان کردہ عبوری منافع منقسمہ
<u>5,681,382</u>	مجموعی منافع جو آگے لائے
<u><b>6,548,050</b></u>	مجموعی منافع جو آگے جائے گا

#### رائٹ اجراء

ذیلی کمپنی میپل ایف سیمنٹ فیڈری لمیٹڈ کی 12.50% رائیٹ شیئرز کی خریداری کے لئے بورڈ آف ڈائریکٹرز نے اپنے اجلاس منعقدہ 17 اگست 2017ء کو رائٹ شیئرز کے اجراء کا فیصلہ کیا 6% رائٹس شیئرز 60 روپے فی شیئر (بشمول 50 روپے فی شیئر پریمیم) سے 1016.478 ملین روپے اکٹھے ہوئے۔ ڈائریکٹرز اور سپانسرز نے رائیٹ شیئرز سبسکرپشن کے اپنے کلی شیئرز کو سبسکرائب کر دیا پبلک پورشن کا 96.6% حصص داران کی طرف سے سبسکرائب کیا گیا جبکہ کل رائیٹ اجراء کا باقی 2.4% کلی طور پر انڈر رائٹرز کو دے دیا گیا تھا۔

#### مستقبل کے امکانات

ہمیں امید ہے کہ سپینگ اور ہوم ٹیکسٹائل ڈویژنز کے آئندہ نتائج کم از کم زیر جائزہ مدت جیسے منافع بخش ہوں گی اور نئی پراڈکٹ لائنز کے اضافہ کی بدولت بہتر ہوں گے۔ اس کے علاوہ ہم مثبت محسوس کرتے ہیں کہ نئی حکومت برآمدات بڑھانے کے لئے پُر عزم ہے اور اس مقصد کو حاصل کرنے کے لئے اقدامات اٹھائے گی۔ روپے کی قدر میں موافق تبدیلیوں نے پہلے ہی خوشگوار اثرات مرتب کئے ہیں۔

#### بعد کے واقعات

کمپنی کے مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان کمپنی کی مالی پوزیشن کو متاثر کرنے والی کوئی تبدیلیاں یا معاہدے وقوع پذیر نہیں ہوئے ہیں۔

#### ادائیگیوں، ڈیبٹ / قرضہ کی نادرہنگی

بہترین کاروباری طریقوں پر عملدرآمد کرتے ہوئے، کمپنی واجب رقوم کی بروقت واپس ادائیگی کی اپنی ذمہ داری کو تسلیم کرتی ہے۔ زیر جائزہ سال کے دوران قرضہ / ڈیبٹ کی ادائیگی پر کوئی نادرہنگی درج نہیں کرائی گئی۔

#### اصل خطرات اور غیر یقینی

۔ گلوبل اور علاقائی مسابقت کی وجہ سے برآمدات میں کمی

۔ روپے کی قدر میں کمی کی وجہ سے درآمدی کپاس، پیکنگ اور ڈائریکٹرز کی قیمتوں میں اضافہ کے باعث شرح منافع میں کمی

۔ تیل اور بجلی کی قیمتوں میں اضافہ کے باعث توانائی کی لاگت میں اضافہ

۔ آپریٹنگ اخراجات میں افراد زر کی وجہ سے اضافہ

۔ مرکزی بینک کی طرف سے ڈسکاؤنٹ ریٹ بڑھانے کے باعث KIBOR میں اضافہ جس کی وجہ سے مالی لاگت میں اضافہ

#### کاروبار کی نوعیت میں تبدیلی

کمپنی یا اسکی ذیلیوں، یا کسی دیگر کمپنی جس میں کمپنی دلچسپی رکھتی ہو کے کاروبار کی نوعیت سے متعلقہ مالی سال کے دوران کوئی تبدیلی وقوع پذیر نہیں ہوئی ہے۔

## ڈائریکٹرز رپورٹ

کمپنیز ایکٹ، 2017 کی دفعہ 227 کی تعمیل میں، آپ کی کمپنی کے ڈائریکٹرز 30 جون، 2018 کو ختم ہونے والے سال کے لئے 50 ویں سالانہ رپورٹ معہ نظر ثانی شدہ مالی گوشوارے اور ان پر آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔  
کوہنور ٹیکسٹائل ملز لمیٹڈ (کمپنی) پبلک مندرج کمپنی میں قائم ہوئی اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں مندرج ہے۔ کمپنی کا اصل کاروبار یارن اور کپڑے کی تیاری، پروسیدنگ اور کپڑے کی کٹنگ اور ٹیکسٹائل مصنوعات کی تجارت ہے۔

### آپریٹنگ کا جائزہ

زیر جائزہ سال کی آخری سہ ماہی کے نتائج یارن کی قیمتوں میں اضافہ کے باعث گزشتہ سہ ماہی سے بہتر ہوئے کیونکہ روپیہ کی قدر میں کمی کے نتیجے میں خام مال کی قیمتوں میں اضافہ ہو گیا۔ جس کا کمپنی نے اچھی طرح سے احاطہ کیا، اور فروخت کی زیادہ قیمتوں کا فائدہ اٹھانے کے قابل رہی۔

زیر جائزہ سال کے دوران کمپنی نے سپنگ آلات کی جدت طرازی اور بحالی کی اپنی پالیسی جاری رکھی اور جو فائن کاؤنٹ مارکیٹ میں اسکی پوزیشن کو مزید مضبوط کرے گی۔ یہ پالیسی آئندہ مالی سال میں جاری رہے گی۔

کمپنی آئندہ سال کے لئے خام مال کو مناسب طریقے سے احاطہ کرنے کا ارادہ رکھتی ہے اور خام مال کی خریداری شروع کر دی ہے۔ ہم امید رکھتے ہیں کہ ہم کارگر قیمتوں پر اپنی ضروریات کو پورا کرنے کے قابل ہوں گے۔

ویلو ایڈیشن کے لئے ہماری مسلسل جدوجہد میں، کمپنی نے ڈیجیٹل پرنٹنگ آلات خریدے ہیں اور کسٹمز کو اعلیٰ درجہ کی پُرکشش مصنوعات فراہم کرنے کے لئے نئے آلات میں سرمایہ کاری بڑھائی ہے، جو کمپنی اگلے مالی سال میں بھی جاری رکھے گی کیونکہ مقامی مقابلہ میں اپنے آپ کو مزید منفرد بنانا چاہتی ہے۔

یہ خیال کیا جاتا ہے کہ نئی حکومت عالمی سطح پر مسابقتی ماحول کو یقینی بنانے کے لئے برآمدات کو فروغ دینے اور ضروری اقدامات اٹھانے میں ایک فعال کردار ادا کرے گی۔ یہ ایک دشوار کام ہوگا لیکن ہماری معیشت کے مالی استحکام کے لئے ضروری ہے۔

ہم ایک بار پھر حکومت سے درخواست کرتے ہیں کہ سٹیل ٹیکس کی رقم کی واپسی کو فی الفور جاری منظور شدہ برآمد رعایت اور دیگر ٹیکس کی رقم کی واپسی کی توثیق کی جائے تاکہ نقد بہاؤ کے مسائل کم سے کم ہوں۔ اس وقت فوری طور پر برآمدات کو بڑھانا چاہئے جو موجودہ وقت کی ضرورت ہے۔

کمپنی کی ابتدائی 1 میگا واٹ سولر کی تنصیب ایک بہت بڑی کامیابی ہے اور ہم فی الحال واقعی "گرین" مینوفیکچرر بننے کے لئے اپنے قابل تجدید انرجی فٹ پرنٹ کو وسعت دینے کی کوشش کر رہے ہیں۔ بیٹھے پانی کے استعمال کو ڈرامائی طور پر کم کرنے کی کوشش میں صاف شدہ پانی کو مکمل طور پر دوبارہ استعمال کرنے کے تجربے کو آگے بڑھایا ہے اور امید ہے کہ آئندہ سال میں کامیابی ہوگی۔

کمپنی کے ذیلی اداروں سے ڈیویڈنڈ آئندہ سال میں صحت مندر رہنے کی توقعات ہیں۔

### مالیاتی جائزہ

زیر جائزہ سال کے دوران، کمپنی کی فروخت 17,834 ملین روپے (2017: 17,405 ملین روپے) زیادہ، جبکہ فروخت کی قیمت 15,356 ملین روپے (2017: 14,823 ملین روپے) زیادہ ہوئی۔ اس کے نتیجے میں مجموعی منافع 2,478 ملین روپے (2017: 2,581 ملین روپے) ہوا۔

زیر جائزہ سال کے لئے آپریٹنگ منافع 2,516 ملین روپے (2017: 3,170 ملین روپے) رہا۔ کمپنی نے ٹیکس کے بعد منافع 1,664 ملین روپے (2017: 2,352 ملین روپے) کمایا ہے۔ 30 جون 2018 کو ختم ہونے والے سال کے لئے فی شیئر آمدنی گزشتہ سال کی اسی مدت کی 8.25 روپے کے مقابلے موجودہ سال میں 5.64 روپے ہے۔

### گروپ کا مالیاتی جائزہ

زیر جائزہ سال کے دوران، کمپنی کی مجموعی آمدنی 43,467 ملین روپے (2017: 41,248 ملین روپے) زیادہ، جبکہ فروخت کی قیمت 32,167 ملین روپے (2017: 28,992 ملین روپے) زیادہ ہوئی۔ اس کے نتیجے میں مجموعی منافع 11,300 ملین روپے (2017: 12,255 ملین روپے) ہوا۔ 30 جون 2018 کو ختم ہونے والے سال کے لئے فی شیئر آمدنی گزشتہ سال کی اسی مدت کی 16.38 روپے کے مقابلے موجودہ سال میں 11.95 روپے ہے۔

### ڈیویڈنڈ اور تصرفات

نتیجہ کو دیکھتے ہوئے، بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے 1/1 روپیہ فی شیئر (10%) حتمی نقد منافع منقسمہ کا اعلان کیا ہے۔ یہ عبوری







Kohinoor Textile Mills Limited

A Kohinoor Maple Leaf Group Company

42-Lawrence Road,

Lahore, Pakistan