

Faisalabad Garment City Company

Financial Statements
For the Year Ended June 30, 2018

Independent Auditor's Report To the members of Faisalabad Garment City Company
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Faisalabad Garment City Company** (the Company), which comprise the statement of financial position as at June 30, 2018, and the income and expenditure statement, the statement of changes in funds, 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 income or expenditure statement, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the deficit, the changes in funds 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.

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

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

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


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 income and expenditure account, the statement of changes in funds 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) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

The engagement partner on the audit resulting in this independent auditor's report is Mr. Khan Muhammad-FCA.

Date: September 24, 2018
Place: Faisalabad


Kreston Hyder Bhimji
KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

REVIEW REPORT TO THE MEMBERS
ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES
(CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of **Faisalabad Garment City Company** for the year ended June 30, 2018.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. 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 Rules.

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 Rules requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of 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 any procedures to determine 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 best practices contained in the Rules as applicable to the Company for the year ended June 30, 2018.

DATE: September 24, 2018
FAISALABAD


Khan Muhammad
KRESTON HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Khan Muhammad

FAISALABAD GARMENT CITY COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

ASSETS	NOTE	2018 RUPEES	2017 RUPEES
NON CURRENT ASSETS			
Property and equipments	9	161,377,187	167,224,031
Investment property	10	403,654,010	419,933,339
Advance for purchase of land	11	7,111,835	7,111,835
Long term advances	12	146,022	-
Long term deposits	13	9,622,056	9,622,056
		581,911,110	603,891,261
CURRENT ASSETS			
Advances, prepayments and other receivables	14	6,822,997	2,187,353
Short term investments	15	86,030,000	36,030,000
Cash and bank balances	16	19,260,410	60,544,099
		112,113,407	98,761,452
		694,024,517	702,652,713
FUNDS AND LIABILITIES			
FUNDS			
Public sector development fund		690,929,000	690,929,000
Accumulated deficit		(30,084,778)	(19,921,331)
		660,844,222	671,007,669
NON CURRENT LIABILITIES			
Deferred liabilities	17	5,810,692	4,337,585
CURRENT LIABILITIES			
Trade and other payables	18	1,503,971	1,757,324
Security deposits	19	11,575,352	11,274,214
Provision for taxation		14,290,280	14,275,921
		27,369,603	27,307,459
CONTINGENCIES AND COMMITMENTS			
	20	-	-
		694,024,517	702,652,713

The annexed notes 1 to 29 form an integral part of these financial statements.


CHAIRMAN


DIRECTOR


CHIEF ACCOUNTANT



FAISALABAD GARMENT CITY COMPANY

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018**

	NOTE	2018 RUPEES	2017 RUPEES
Revenue	21	42,820,451	45,606,383
Less:			
Operating and other expenses	22	22,134,009	15,720,708
Depreciation on operating fixed assets	9	9,704,164	6,055,866
Depreciation on investment property	10	16,279,329	17,130,215
		<u>48,117,502</u>	<u>38,906,789</u>
		(5,297,051)	6,699,594
Other income	23	6,469,246	6,117,565
Surplus before taxation		<u>1,172,195</u>	<u>12,817,159</u>
Taxation	24	11,335,642	12,134,471
(Deficit)/surplus after taxation		<u>(10,163,447)</u>	<u>682,688</u>
Other comprehensive income		-	-
Total comprehensive (deficit)/surplus		<u><u>(10,163,447)</u></u>	<u><u>682,688</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.


CHAIRMAN


DIRECTOR




CHIEF ACCOUNTANT

FAISALABAD GARMENT CITY COMPANY

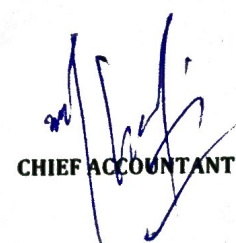
**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	NOTE	2018 RUPEES	2017 RUPEES
a) CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before taxation		1,172,195	12,817,159
Adjustments for non cash and other items:			
Depreciation on operating fixed assets		9,704,164	6,055,866
Depreciation on investment property		16,279,329	17,130,215
Provision for gratuity		1,855,087	1,146,856
Finance cost		872	655
Profit on bank deposits		(3,184,262)	(2,794,642)
Profit on short term investments		(2,880,209)	(2,530,028)
Interest income on deposit with SNGPL-Net		(39,780)	(127,500)
Balance written back		(332,995)	-
Gain on disposal of operating fixed assets		-	(653,395)
Operating cash flows before working capital changes		22,574,401	31,045,186
Changes in working capital			
(Increase)/decrease in current assets			
Advances, prepayments and other receivables		(4,359,077)	(419,126)
Increase/(decrease) in current liabilities			
Trade and other payables		79,642	1,087,941
		(4,279,435)	668,815
Cash generated from operations		18,294,966	31,714,001
Finance cost paid		(872)	(655)
Gratuity paid		(381,980)	-
Income tax paid		(11,321,283)	(12,264,846)
Interest income on deposit with SNGPL		73,695	127,500
Profit on bank deposits		3,231,650	3,627,583
Long term loans paid		(146,022)	-
Security deposits from tenants- Net		301,138	1,481,521
Net cash generated from operating activities		10,051,292	24,685,104
b) CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in property and equipments		(3,857,320)	(3,992,787)
Proceeds from disposal of operating fixed assets		-	1,134,400
Additions in investment property - building		-	(838,200)
Increase in short term investments		(50,000,000)	(36,030,000)
Profit on short term investments		2,522,339	2,503,188
Net cash used in investing activities		(51,334,981)	(37,223,399)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(a+b)	(41,283,689)	(12,538,295)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		60,544,099	73,082,394
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16	19,260,410	60,544,099

The annexed notes 1 to 29 form an integral part of these financial statements.


CHAIRMAN


DIRECTOR


CHIEF ACCOUNTANT



FAISALABAD GARMENT CITY COMPANY

**STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Public sector development fund	Accumulated surplus/(deficit)	Total
	[	R	U
	P	E	E
	S]	
Balance as at July 01, 2016	690,929,000	(20,604,019)	670,324,981
Total comprehensive surplus for the year	-	682,688	682,688
Balance as at June 30, 2017	690,929,000	(19,921,331)	671,007,669
Total comprehensive deficit for the year	-	(10,163,447)	(10,163,447)
Balance as at June 30, 2018	690,929,000	(30,084,778)	660,844,222

The annexed notes 1 to 29 form an integral part of these financial statements.


CHAIRMAN


DIRECTOR



CHIEF ACCOUNTANT

FAISALABAD GARMENT CITY COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. STATUS AND ACTIVITIES

Faisalabad Garment City Company (the Company) was incorporated on 8th May, 2006 under Section 42 of the repealed Companies Ordinance, 1984 (new Companies Act 2017) as a Company Limited by Guarantee without the addition of word "Limited" to its name. The registered office of the Company is situated at Value Addition City, 1-1/2 km Khurrianwala Sahianwala Road, Khurrianwala, Faisalabad. The principal object of the Company is to promote, finance, establish, run, manage, maintain and develop state of art facilities for garment, home textile, hosiery made-ups, accessories and allied industry in Textile City of Faisalabad by providing necessary infrastructure to manufacturers, designers and exporters, after necessary approvals/sanctions of the Government of Pakistan.

2. SIGNIFICANT TRANSACTIONS AND EVENTS

-Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fifth schedule of the Companies Act, 2017, change in nomenclature of primary statements has been made.

-All significant transactions and events that have affected the Company's statement of financial position and performance during the year have been adequately disclosed in the notes to these financial statements.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards applicable in Pakistan comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), the Accounting Standard for Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act 2017 and provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions of and directives issued under the Companies Act, 2017 have been followed.

4. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except as other wise stated in the respective policies and notes.

5. FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Pakistani Rupee, which is also the Company's functional currency.

6. NEW AND REVISED STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS

6.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

- **Amendment to IAS 7 'Cash flow statements':**

This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers items of financial position for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. This amendment does not have any impact on the company's financial statements.

- **Amendment to IAS 12 'Income Taxes':**

This amendment on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is unlikely that the amendment will have any impact on the Company's financial statements.

The other amendments to published standards and interpretations that are mandatory for the financial year are considered not to be relevant or to have any significant impact on the Company's financial reporting and operations and are therefore not disclosed in these financial statements.

6.2 Standards, interpretations and amendments to approved accounting standards that are issued but not yet effective and have not been early adopted by the Company

- **Amendments to IAS 40 'Investment Property' (effective for periods beginning on or after January 01, 2018).**

Transfers of investment property clarifies 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 an impact on Company's financial statements.

- **Amendment to IAS 19 'Employee Benefits'-Plan Amendment, Curtailment or Settlement (effective for annual period beginning on or after January 01, 2019).**

The amendments to IAS 19 specify that an entity must;

determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event and determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using:

- (i) the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
- (ii) the discount rate used to remeasure that net defined benefit liability (asset); and

determine any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is to be recognized in profit or loss. An entity then determine the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognized in other comprehensive income. The amendments are not likely to have an impact on company's financial statements.

- **Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long term investment in Associates and Joint Ventures (effective for annual period beginning on or after January 01, 2019).**

The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendment is not likely to have an impact on the Company's financial statements.

- **Amendment to IFRS 2 'Share-based Payment' (effective for periods beginning on or after January 01, 2018).**

The amendments are intended to eliminate diversity in practice in three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations;
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendment is not likely to have an impact on the Company's financial statements.

- **Amendment to IFRS 4 'Insurance Contract'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual period beginning on or after 1 July 2018).**

The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new insurance contract standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 01, 2018 onwards to reclassify the effects of some of the accounting mismatches, from profit or loss to other comprehensive income, that may occur from applying IFRS 9 before IFRS 17 is applied. The amendment is not likely to have an impact on the Company's financial statements.

- **IFRS 9 'Financial instruments' (effective for periods beginning on or after July 01, 2018).**

IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting. Full impact of all the phases of IFRS 9 on the Company is still being assessed.

- **Amendment to IFRS 9 'Financial Instrument'- prepayment Features with Negative Compensation and modifications of financial liabilities (effective for annual period beginning on or after January 01, 2019).**

The amendment allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. The amendment also clarified that any adjustment arising on modifications of financial liabilities that do not result in derecognition should be recognized in profit or loss at the date of modification or change.

- **IFRS 15, 'Revenue from Contracts with Customers' (effective for periods beginning on or after July 01, 2018).**

This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes (if any) on adoption of the standard.

- **IFRS 16, 'Leases' (effective for periods beginning on or after January 01, 2019).**

IFRS 16 introduces a single accounting model for lessee and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The full impact of the future adoption is currently under review.

- **IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after January 01, 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 amendment is not likely to have an impact on the Company's financial statements.

- **IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 01, 2019).**

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The interpretation is not expected to have significant impact on the Company's financial statements.

- **Annual improvements to IFRS standards 2014-2016 cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after January 01, 2018).**

Amendments to IAS 28 clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

- **Annual Improvements to IFRS Standards 2015-2017 Cycle. The new cycle of improvements addresses improvements to following approved accounting standards (effective for annual period beginning on or after January 1, 2019).**

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements.** The amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- **IAS 12 Income Taxes.** The amendment clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- **IAS 23 Borrowing Costs.** The amendment clarify that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Further, the following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purposes of their applicability in Pakistan:

- IFRS - 1 'First time adoption of International Financial Reporting Standards'.
- IFRS - 14 'Regulatory Deferral Accounts'.
- IFRS - 17 'Insurance Contracts'.

7. USE OF ESTIMATES AND JUDGMENTS

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Taxation - note 8.3
- Estimate of useful life of property, plant and equipment - note 8.4
- Impairment of assets - note 8.6
- Trade and other receivables - note 8.7
- Provisions - note 8.9
- Contingencies - note 8.11

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below and have been applied consistently to all periods presented in these financial statements, except for the change as mentioned below:

8.1 Company has changed its accounting policy of rental income from straight line basis over lease term to earned basis as the management considers that this change is more representative of time pattern in which use benefit derived from the leased asset is diminished. This change in accounting policy has been applied prospectively in accordance with International Accounting Standard 8 (IAS-8) "Accounting Policies, Changes in Accounting Estimates and Errors" as resulting impact is considered to be immaterial.

8.2 Staff retirement benefits

Defined Benefit Plan

The Company operates an unfunded gratuity scheme for its employees who have completed the qualifying period as defined under the respective scheme. The amount of liability for each employee at year end is computed by number of years completed multiplied by the last drawn monthly salary. The difference between the current and the previous liability net of payment made during the year is charged to income as an expense for the year.

8.3 Taxation

Provision for current tax is based on the taxable income for the period 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 surplus for the period 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 period for such years.

Deferred tax is accounted for using the balance sheet liability method, where applicable.

8.4 Property and equipments

Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment in value, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is charged to income by applying the reducing balance method at the rates specified in the operating fixed assets note 9.1 applying reducing balance method.

Depreciation on additions during the year is charged from the month in which an asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off. The residual values and useful lives of assets are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Expenditure, which enhances or extends the performance of operating fixed assets beyond its original specification and its useful life, is recognized as a capital expenditure and is added to the cost of the operating fixed assets. These are depreciated on reducing balance method at the rate mentioned in the relevant note.

Gains and losses on disposal of assets are charged to income and expenditure statement.

Capital work in progress

Capital work in progress is stated at cost less accumulated impairment in value, if any. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These specific assets are transferred to operating fixed assets as and when these assets are available for intended use.

8.5 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises of land and building and is valued using the cost model i.e. at cost less accumulated depreciation and identified impairment loss, if any, except for land which is stated at cost.

Depreciation is charged to income by applying the reducing balance method at the rates specified in note 10 to the financial statements so as to write off the depreciable amount over its estimated useful life. Depreciation on additions during the year is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The residual values and useful lives of investment property are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The gain or loss on disposal of investment property represented by the difference between the sale proceeds and the carrying amount of asset is recognized as income or expense in the year in which the asset is disposed off.

8.6 Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flow 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 the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by 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.

Losses are recognized as an expense in the profit and loss account. When a subsequent event causes the amount of impairment loss to decrease, this reduction is reversed through the profit and loss account.

Non financial assets

The carrying amounts of the Company's non-financial assets, other than stock in trade and stores and spares, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets of the unit on a pro-rata basis. Impairment losses on goodwill shall not be reversed.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

8.7 Trade and other receivables

Trade and other receivables are carried at contracted amount less an estimate made for any debts considered doubtful of recovery. Debts considered irrecoverable are written off.

8.8 Cash and cash equivalents

Cash and cash equivalents comprise of cash and cheques in hand and at banks and include short term highly liquid investments. The cash and cash equivalents are readily convertible to known amount of cash and are subject to insignificant risk of change in value.

8.9 Provisions

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

8.10 Trade and other payables

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

8.11 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence/ non- occurrence of the uncertain future event(s).

8.12 Revenue recognition

- Rental income is recognized as revenue on earned basis.
- Profit on bank deposits is accounted for on time proportionate basis.
- Other revenues are recorded on accrual basis.

8.13 Financial instruments

8.13.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

The investments made by the Company are classified for the purpose of measurement into the following categories:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current assets.

Held to maturity

Held to maturity are financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market, where management has the intention and ability to hold till maturity.

Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose off the investment within 12 months of the reporting date.

All financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented in the profit and loss account within 'other income/other operating expenses' in the period in which they arise.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit and loss account as 'gains and losses from investment securities. Interest on available-for-sale securities, calculated using the effective interest method, is recognized in the profit and loss account as part of 'other income'.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transaction, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity – specific inputs.

8.13.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost, if any. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis. All other financial liabilities are initially recognized at fair value minus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit or loss.

8.13.3 Offsetting of financial asset and financial liability

A financial asset and a financial liability is offset and the net amount reported in the financial statements, if the Company has a legal enforceable right to offset the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

8.14 Related party transactions

Transactions with related parties are executed at arms' length basis under the pricing method approved by the Board of Directors.

	NOTE	2018 RUPEES	2017 RUPEES
9. PROPERTY AND EQUIPMENTS			
Operating fixed assets	9.1	<u>161,377,187</u>	<u>167,224,031</u>

9.1 Operating fixed assets

DESCRIPTION	2018									
	COST				DEPRECIATION				W.D.V	Rate
	As at July 01, 2017	Additions	Deletions	As at June 30, 2018	As at July 01, 2017	For the Year	Adjustment	As at June 30, 2018	As at June 30, 2018	%
		[	R	U	P	E	E	S]	
Building	157,796,764	-	-	157,796,764	5,559,834	7,611,847	-	13,171,681	144,625,083	5
Furniture and fixtures	3,815,470	766,650	-	4,582,120	1,005,669	310,366	-	1,316,035	3,266,085	10
Computers	1,582,711	-	-	1,582,711	1,159,343	127,010	-	1,286,353	296,358	30
Office equipments	6,292,973	59,025	-	6,351,998	1,980,506	436,960	-	2,417,466	3,934,532	10
Electric installation and equipments	6,250,194	913,709	-	7,163,903	1,189,245	585,111	-	1,774,356	5,389,547	10
Cars	1,888,667	2,051,250	-	3,939,917	861,232	478,987	-	1,340,219	2,599,698	20
Motor cycles	66,585	66,686	-	133,271	14,206	23,813	-	38,019	95,252	20
Generators	1,681,412	-	-	1,681,412	380,710	130,070	-	510,780	1,170,632	10
Total	179,374,776	3,857,320	-	183,232,096	12,150,745	9,704,164	-	21,854,909	161,377,187	

DESCRIPTION	2017									
	COST				DEPRECIATION				W.D.V	Rate
	As at July 01, 2016	Additions	Deletions	As at June 30, 2017	As at July 01, 2016	For the Year	Adjustment	As at June 30, 2017	As at June 30, 2017	%
		[	R	U	P	E	E	S]	
Building	31,446,897	126,349,867	-	157,796,764	1,466,759	4,093,075	-	5,559,834	152,236,930	5
Furniture and fixtures	3,686,540	128,930	-	3,815,470	703,130	302,539	-	1,005,669	2,809,801	10
Computers	1,582,711	-	-	1,582,711	977,899	181,444	-	1,159,343	423,368	30
Office equipments	6,189,893	103,080	-	6,292,973	1,510,716	469,790	-	1,980,506	4,312,467	10
Electric installation and equipments	5,899,974	350,220	-	6,250,194	656,962	532,283	-	1,189,245	5,060,949	10
Cars	2,940,302	300,000	(1,351,635)	1,888,667	1,446,029	314,084	(898,881)	861,232	1,027,435	20
Motor cycles	259,585	-	(193,000)	66,585	160,826	18,129	(164,749)	14,206	52,379	20
Generators	1,681,412	-	-	1,681,412	236,188	144,522	-	380,710	1,300,702	10
Total	53,687,314	127,232,097	(1,544,635)	179,374,776	7,158,509	6,055,866	(1,063,630)	12,150,745	167,224,031	

9.1.1 Detail of operating fixed assets disposed of during the year :

	Cost	Book value	Sale proceeds	Gain/(Loss)					
		[R	U	P	E	E	S]
2018	-	-	-	-					
2017	1,544,635	481,005	1,134,400	653,395					

10. INVESTMENT PROPERTY

DESCRIPTION	2018									
	COST				DEPRECIATION				W.D.V	Rate
	As at July 01, 2017	Additions	As at June 30, 2018	As at July 01, 2017	For the Year	As at June 30, 2018	As at June 30, 2018	%		
		[	R	U	P	E	E	S]	
Land	94,346,760	-	94,346,760	-	-	-	-	94,346,760	-	
Buildings	443,761,624	-	443,761,624	118,175,045	16,279,329	134,454,374	-	309,307,250	5	
Total	538,108,384	-	538,108,384	118,175,045	16,279,329	134,454,374	-	403,654,010		

DESCRIPTION	2017									
	COST				DEPRECIATION				W.D.V	Rate
	As at July 01, 2016	Additions	As at June 30, 2017	As at July 01, 2016	For the Year	As at June 30, 2017	As at June 30, 2017	%		
		[	R	U	P	E	E	S]	
Land	94,346,760	-	94,346,760	-	-	-	-	94,346,760	-	
Buildings	442,923,424	838,200	443,761,624	101,044,830	17,130,215	118,175,045	-	325,586,579	5	
Total	537,270,184	838,200	538,108,384	101,044,830	17,130,215	118,175,045	-	419,933,339		

	NOTE	2018 RUPEES	2017 RUPEES
11. ADVANCE FOR PURCHASE OF LAND			
Advance for purchase of land	11.1	<u>7,111,835</u>	<u>7,111,835</u>
11.1	This represents the amount paid to Faisalabad Industrial Estate Development and Management Company (FIEDMC) for purchase of land measuring 10.825 Acres. The land has already been occupied by the Faisalabad Garment City Company whereas the title of land has not been transferred to the Company. The matter is pending due to legal formalities with the Government departments at FIEDMC end.		
12. LONG TERM ADVANCES			
Considered good - Secured			
Advance to employees		1,095,514	-
Current portion of advance to employees		(949,492)	-
		<u>146,022</u>	<u>-</u>
12.2	These are secured against staff retirement benefits.		
13. LONG TERM DEPOSITS			
Security deposits with / for:			
FESCO		7,069,056	7,069,056
SNGPL	13.1	2,550,000	2,550,000
Supply of water		3,000	3,000
		<u>9,622,056</u>	<u>9,622,056</u>
13.1	This represents deposit with Sui Northern Gas Pipelines Limited for supply of natural gas to the Company. It is subject to mark up at the rate of 3 months KIBOR minus 3% p.a. receivable in arrears.		
14. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Considered good			
Advances:			
Suppliers		84,240	147,740
Current portion of advance to employees	12	949,492	893,885
Prepayments:			
Prepaid insurance		331,188	224,836
Others		7,500	-
Other receivables:			
Interest on deposits with SNGPL	13.1	93,585	127,500
Accrued profit on bank deposits		272,411	319,799
Profit on short term investments		587,118	229,248
Female exclusive training institute		1,528,675	-
Rent Receivable- secured		2,835,796	-
Others - secured		132,992	244,345
		<u>6,822,997</u>	<u>2,187,353</u>
15. SHORT TERM INVESTMENTS			
Held to Maturity			
Investment in Term Deposit Receipts (TDRs)			
National Bank of Pakistan	15.1	36,030,000	36,030,000
Zarai Taraqiati Bank Limited	15.2	50,000,000	-
		<u>86,030,000</u>	<u>36,030,000</u>
15.1	This represents investment in NBP's Premium Aamdani Certificates. Profit is receivable on monthly basis at rates ranging from 6.10 % to 7.30% (2017: 5.95% to 6.10%) per annum. These certificates are maturing on various dates upto June 2019.		
15.2	This represents investment in Zarai Taraqiati Bank Limited (ZTBL)'s PLS Term Deposit Receipts. Profit is receivable on quarterly basis at rate 6.30 % (2017: Nil) per annum. These are maturing on various dates upto December 2018.		
16. CASH AND BANK BALANCES			
Cash in hand		21,212	9,084
Cash at banks			
in current accounts		49,197	1,078,477
in deposit accounts	16.1	19,190,001	59,456,538
		<u>19,260,410</u>	<u>60,544,099</u>
16.1	Rate of return on deposit accounts ranges from 3.75% to 6.25% (2017: 3.75% to 6.25%) p.a.		

	NOTE	2018 RUPEES	2017 RUPEES
17. DEFERRED LIABILITIES			
Staff retirement gratuity	17.2	<u>5,810,692</u>	<u>4,337,585</u>
17.1	This represents an unfunded gratuity scheme, which provides retirement benefits for all employees of the company who attain the minimum qualifying period.		
17.2	Reconciliation of staff retirement benefits is as follows:		
Balance as on July 01,		4,337,585	3,190,729
Add: Provision for the year		<u>1,855,087</u>	<u>1,146,856</u>
		6,192,672	4,337,585
Less: Payments made during the year		<u>381,980</u>	-
Balance as on June 30,		<u>5,810,692</u>	<u>4,337,585</u>
18. TRADE AND OTHER PAYABLES			
Payable to contractor		1,179,780	1,179,780
Accrued expenses		<u>324,191</u>	<u>577,544</u>
		<u>1,503,971</u>	<u>1,757,324</u>
19. SECURITY DEPOSITS	19.1	<u>11,575,352</u>	<u>11,274,214</u>
19.1	This represents securities received from tenants under cancelable lease arrangements. These are interest free and kept in separate bank account maintained for that purpose as required under Section 217(2) of the Companies Act, 2017. It has not been utilized and kept intact.		
20. CONTINGENCIES AND COMMITMENTS			
	There are no significant contingencies and commitments at the reporting date which need to be disclosed in the financial statements.		
21. REVENUE			
Rental income - building	21.1	<u>42,820,451</u>	<u>45,606,383</u>
21.1	The buildings are rented according to the Public Procurement Rules (PPR), under cancellable lease arrangement.		
22. OPERATING AND OTHER EXPENSES			
Salaries and benefits	22.1	13,803,101	10,796,430
Electricity and power		435,924	311,565
Postage and telecommunication		237,207	199,536
Water and sewerage		46,560	70,940
Entertainment		281,235	219,545
Repairs and maintenance		2,620,125	471,802
Printing and stationery		101,725	112,443
Vehicle running and maintenance		159,945	183,320
Travelling and conveyance		892,616	503,888
ICAC meeting expenses		-	446,026
Horticulture/ gardening		520,578	521,355
Training expenses		31,552	14,500
Fee and taxes		40,085	66,005
Legal and professional charges		1,378,092	711,639
Auditors' remuneration		105,000	100,000
Insurance		762,252	651,656
Meeting expenses		225,775	178,085
Advertisement		194,250	88,697
Inauguration expenses		39,082	-
Bank charges		872	655
Office utilities		15,840	63,484
Loan to employees waived off		224,993	-
Others		17,200	9,137
		<u>22,134,009</u>	<u>15,720,708</u>
22.1	It includes Rs. 1,855,087 (2017: Rs. 1,146,856) in respect of staff retirement benefits.		

	NOTE	2018 RUPEES	2017 RUPEES
23. OTHER INCOME			
Income from financial assets			
Profit on bank deposits		3,184,262	2,794,642
Profit on short term investments	15	2,880,209	2,530,028
Interest income on deposit with SNGPL-Net		39,780	127,500
Income from non-financial assets			
Sale of tender documents		32,000	12,000
Gain on disposal of operating fixed assets		-	653,395
Balance written back		332,995	-
		6,469,246	6,117,565
24. TAXATION			
Current		11,335,642	12,183,012
Prior year's adjustment		-	(48,541)
		11,335,642	12,134,471

24.1 The provision for current taxation is made using prevailing tax rates under Income tax ordinance, 2001, after incorporating tax credits and rebates, if any. Provision for deferred tax is not required as there are no temporary differences that are expected to arise in the foreseeable future.

25. REMUNERATION OF CHAIRMAN AND EXECUTIVES

25.1 The aggregated amounts charged in these financial statements for the year ended in respect of the above are as follows :

NOTE	30 June 2018		30 June 2017	
	Chairman	Executives	Chairman	Executives *
	[R U P E E S]	[R U P E E S]	[R U P E E S]	[R U P E E S]
Remuneration	-	1,442,439	-	-
Vehicle running allowance	219,255	-	172,574	-
Leave encashment	-	99,742	-	-
Honorarium	-	90,010	-	-
Gratuity	-	657,045	-	-
Medical	-	101,256	-	-
	219,255	2,390,492	172,574	-
Number	1	1	1	-

25.2 It represents Rs. 10 per km (2017 : Rs. 10 per km) paid to the Chairman to meet running expenses of his car provided by the company as well as repair and maintenance expenses of the car.

* Comparatives have been amended to reflect changes in the definition of executive as per the Companies Act, 2017.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company finances its operations through a mix of funds received from Government and working capital management with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the company is exposed to market risk, credit risk and liquidity risk. The company's finance department oversees the management of these risks and provide assurance to the company's senior management that the company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and risk appetite.

FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Loans and receivables at amortized cost

Long term advances	12	146,022	-
Long term deposits	13	9,622,056	9,622,056
Advances and other receivables	14	6,400,069	1,814,777
Short term investments	15	86,030,000	36,030,000
Cash and bank balances	16	19,260,410	60,544,099
		121,458,557	108,010,932

Financial Liabilities

Loans and receivables at amortized cost

Trade and other payables	18	1,503,971	1,757,324
Security deposits	19	11,575,352	11,274,214
		13,079,323	13,031,538

26.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and price risk. Financial instruments susceptible to / affected by market risk include deposits and short term investments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

26.1.1 Interest rate risk:

Interest rate risk represents the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates.

The Company has no long term and short term interest bearing financial liabilities. Therefore, the company is not exposed to interest rate risk on financial liabilities.

The Company has long term security deposit with SNGPL, short term investments and bank balances in deposit accounts. Company's exposure to interest rate risk on these financial assets is as follows:

	NOTE	2018 RUPEES	2017 RUPEES
Fixed rate instruments:			
Short term investments		86,030,000	36,030,000
Floating rate instruments:			
Financial assets			
Security deposit with SNGPL		2,550,000	2,550,000
Bank balance-deposit accounts		19,190,001	59,456,538

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 and loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rate for these financial instruments would have fluctuated by 100 bps higher/lower with all other variables held constant, profit or loss before taxation for the year 2018 and 2017 would have been effected as follows:

Effect of increase on security deposit with		10,839	44,118
Effect of increase on deposit accounts		636,852	558,928

Decrease in interest rates at June 30, would have had the equal but opposite effect of these amounts. Sensitivity analysis has been prepared on symmetric basis.

26.2 Credit risk and concentration of credit risk

Credit risk is the risk representing accounting loss that would be recognized at the reporting date if one party to a financial instrument will fail to discharge an obligation or its failure to perform duties under the contract as contracted. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The company's total financial assets subject to credit risk are as follows:

FINANCIAL ASSETS

Long term advances	12	146,022	-
Long term deposits	13	9,622,056	9,622,056
Advances and other receivables	14	6,400,069	1,814,777
Short term investments	15	86,030,000	36,030,000
Bank balances	16	19,239,198	60,535,015
		<u>121,437,345</u>	<u>108,001,848</u>

Credit quality of financial assets

Due to Company's long standing relationships with these counterparties 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.

Long term deposits mainly include security deposits with SNGPL and FESCO and advances and other receivables are mostly advances to employees, interest on SNGPL deposit and receivables from tenants of building. For these deposits and receivables, credit quality of parties is assessed taking into consideration their financial position and previous dealings. However, the company is not exposed to any significant credit risk on these deposits and advances and receivables.

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

26.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and the availability of funding through an adequate amount of committed credit facilities. This includes maintenance of balance sheet liquidity ratios through working capital management. The management believes that the company is not exposed to any liquidity risk.

The table below summaries the maturity profiles of company's financial liabilities as on June 30, 2018 and 2017 based on contractual undiscounted payments date.

2018			
Within 6 months	More than 6 months and up to 1 year	More than 1 year and up to 5 years	Total
[R u p e e s]			
Financial Liabilities			
Trade and other payables	1,503,971	-	1,503,971
Security deposits	11,575,352	-	11,575,352
	13,079,323	-	13,079,323
2017			
Within 6 months	More than 6 months and up to 1 year	More than 1 year and up to 5 years	Total
[R u p e e s]			
Financial Liabilities			
Trade and other payables	1,757,324	-	1,757,324
Security deposits	11,274,214	-	11,274,214
	13,031,538	-	13,031,538

26.4 Fair value of financial assets and liabilities

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

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	2018							
	Carrying Amount				Fair Value			
	Financial assets other than cash and cash equivalents	Cash and cash equivalents	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
	[	R	U	P	E	E	S]
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Long term advances	146,022	-	-	146,022	-	-	-	-
Long term deposits	9,622,056	-	-	9,622,056	-	-	-	-
Advances and other	6,400,069	-	-	6,400,069	-	-	-	-
Short term investments	86,030,000	-	-	86,030,000	-	86,030,000	-	86,030,000
Cash and bank balances	-	19,260,410	-	19,260,410	-	-	-	-
	102,198,147	19,260,410	-	121,458,557	-	86,030,000	-	86,030,000
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	1,503,971	1,503,971	-	-	-	-
Security deposits	-	-	11,575,352	11,575,352	-	-	-	-
	-	-	13,079,323	13,079,323	-	-	-	-
	2017							
	Carrying Amount				Fair Value			
Financial assets other than cash and cash equivalents	Cash and cash equivalents	Financial liabilities	Total	Level 1	Level 2	Level 3	Total	
	[	R	U	P	E	E	S]
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Long term deposits	9,622,056	-	-	9,622,056	-	-	-	-
Advances and other	1,814,777	-	-	1,814,777	-	-	-	-
Short term investments	36,030,000	-	-	36,030,000	-	36,030,000	-	-
Cash and bank balances	-	60,544,099	-	60,544,099	-	-	-	-
	47,466,833	60,544,099	-	108,010,932	-	36,030,000	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	1,757,324	1,757,324	-	-	-	-
Security deposits	-	-	11,274,214	11,274,214	-	-	-	-
	-	-	13,031,538	13,031,538	-	-	-	-

26.5 Capital risk Management

The primary objective of the Company's capital management is to safeguard the company's ability to continue as a going concern, maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, so that it can continue to meet the requirements of and provide economic benefits (monetary & non-monetary) to all the stakeholders of the Company.

27. NUMBER OF EMPLOYEES	2018	2017
Number of employees at the end of the year	<u>24</u>	<u>21</u>
Average number of employees during the year	<u>23</u>	<u>22</u>

28. **DATE OF AUTHORIZATION FOR ISSUE**
 These financial statements were authorized for issue on 24 SEP 2018 by the Board of Directors of the Company.

29. **GENERAL**

29.1 **Corresponding figures**

Corresponding figures have been re-arranged and reclassified, wherever necessary for the purpose of comparison. During the year following reclassifications are made in the corresponding figures.

	2017 Rupees	From	To
Investment in term deposit receipt	36,030,000	Cash and bank balances - in deposit accounts	Short term investments
Security deposits	11,274,214	Long term Deposits	Current Liabilities

29.2 **Rounding**

Figures in these financial statements have been rounded off to the nearest Rupee, unless otherwise stated.


CHAIRMAN


DIRECTOR



CHIEF ACCOUNTANT