FAISALABAD GARMENT CITY COMPANY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019.

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, 2019.

Kreston Hyder Bhimji & Company
Chartered Accountants

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

DATE: October 04, 2019
FAISALABAD

Independent Auditors' 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, 2019, 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, 2019 and of the surplus, 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 Auditors' 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.

Auditors' 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 eventsor 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 statement, 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.

Kreston Hyder Bhimji & Company
Chartered Accountants

Kreston Hyder Bhimji

Date: October 04, 2019
Place: Faisalabad

KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

FAISALABAD GARMENT CITY COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

ASSETS	NOTE	2019 RUPEES	2018 RUPEES
NON CURRENT ASSETS			
Property and equipments	6	152,982,767	161,377,187
Investment property	7	388,188,647	403,654,010
Advance for purchase of land	8	7,111,835	7,111,835
Long term advances	9	336,658	146,022
Long term deposits	10	9,622,056	9,622,056
		558,241,963	581,911,110
CURRENT ASSETS			
Advances, prepayments and other receivables	11	4,368,152	6,822,997
Short term investments	12	50,000,000	86,030,000
Cash and bank balances	13	85,413,686	19,260,410
		139,781,838	112,113,407
		698,023,801	694,024,517
FUNDS AND LIABILITIES			
FUNDS			
Public sector development fund		690,929,000	690,929,000
Day care establishment fund	14	1,630,000	-
Accumulated deficit		(28,485,011)	(30,084,778)
		664,073,989	660,844,222
NON CURRENT LIABILITIES			
Deferred liabilities	15	7,019,549	5,810,692
CURRENT LIABILITIES			
Trade and other payables	16	335,229	1,503,971
Security deposits	17	11,575,352	11,575,352
Provision for taxation		15,019,682	14,290,280
		26,930,263	27,369,603
CONTINGENCIES AND COMMITMENTS	18	-	-
		698,023,801	694,024,517

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, 2019

	NOTE	2019 RUPEES	2018 RUPEES
Revenue	19	**51,151,946**	42,820,451
Less:			
Operating and other expenses	20	**20,705,967**	22,134,009
Depreciation on operating fixed assets	6	**9,292,195**	9,704,164
Depreciation on investment property	7	**15,465,363**	16,279,329
		45,463,525	48,117,502
		5,688,421	(5,297,051)
Other income	21	**9,631,153**	6,469,246
Surplus before taxation		**15,319,574**	1,172,195
Taxation	22	**13,719,807**	11,335,642
Surplus/(deficit) after taxation		**1,599,767**	(10,163,447)
Other comprehensive income for the year		-	-
Total comprehensive surplus/(deficit) for the year		**1,599,767**	(10,163,447)

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, 2019

	NOTE	2019 RUPEES	2018 RUPEES
a) CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before taxation		15,319,574	1,172,195
Adjustments for non cash and other items:			
Depreciation on operating fixed assets		9,292,195	9,704,164
Depreciation on investment property		15,465,363	16,279,329
Provision for gratuity		1,412,129	1,855,087
Finance cost		1,041	872
Profit on bank deposits		(3,299,184)	(3,184,262)
Profit on short term investments		(6,099,564)	(2,880,209)
Interest income on deposit with SNGPL-Net		(84,405)	(39,780)
Balance written back		-	(332,995)
Balance written off		84,240	-
Grant for SMOT - III project		(136,000)	-
Operating cash flows before working capital changes		31,955,389	22,574,401
Changes in working capital			
(Increase)/decrease in current assets			
Advances, prepayments and other receivables		3,393,035	(4,359,077)
Increase/(decrease) in current liabilities			
Trade and other payables		(1,168,742)	79,642
		2,224,293	(4,279,435)
Cash generated from operations		34,179,682	18,294,966
Finance cost paid		(1,041)	(872)
Gratuity paid		(203,272)	(381,980)
Income tax paid		(12,990,405)	(11,321,283)
Interest income on deposit with SNGPL		75,225	73,695
Profit on bank deposits		2,022,518	3,231,650
Long term advances		(27,174)	(146,022)
Security deposits from tenants- Net		-	301,138
Grant for SMOT - III project received		136,000	-
Net cash generated from operating activities		23,191,533	10,051,292
b) CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in property and equipments		(897,775)	(3,857,320)
Changes in short term investments		36,030,000	(50,000,000)
Profit on short term investments		6,199,518	2,522,339
Net cash generated from/(used in) investing activities		41,331,743	(51,334,981)
c) CASH FLOWS FROM FINANCING ACTIVITIES			
Day care establishment fund		1,630,000	-
Net cash generated from financing activities		1,630,000	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(a+b+c)	66,153,276	(41,283,689)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		19,260,410	60,544,099
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13	85,413,686	19,260,410

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, 2019

	Public Sector Development Fund	Day Care Establishment Fund	Accumulated Deficit	Total
	[R U P E E S]			
Balance as at July 01, 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**
Total comprehensive surplus for the year	-	-	**1,599,767**	**1,599,767**
Grant received during the year	-	**1,630,000**	-	**1,630,000**
Balance as at June 30, 2019	**690,929,000**	**1,630,000**	**(28,485,011)**	**664,073,989**

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

CHAIRMAN

DIRECTOR

CHIEF ACCOUNTANT

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. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting standard for NPOs) issued by the Institute of Chartered Accounts of Pakistan (ICAP) 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 or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policy notes.

2.3 Functional and presentation currency

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

3. NEW AND REVISED STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS

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

The following new standards, amendments to existing standards, and interpretations to the accounting and reporting standards as applicable in Pakistan were effective for the first time for the year ended June 30, 2019:

- **Amendment to IAS 40 'Investment Property':**

  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 amendment does not have any impact on the Company's financial statements.

- **Amendments to IFRS 2 'Share-based Payment' - Clarifying how to account for certain types of share-based payments:**

  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 amendments do not have any impact on these financial statements.

- **Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4:**

  The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard IFRS 17 'Insurance Contracts'. The amendment introduces 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 remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The amendment does not have any impact on the Company's financial statements.

- **IFRS 9 'Financial Instruments':**

  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. The adoption of this standard does not have any significant impact on these financial statements except for change in classification of financial assets loans and receivables category to amortized cost. Accounting policy for financial instruments is disclosed in note 5.12 to the financial statements.

- **IFRS 15 'Revenue from Contracts with Customers':**

  This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and IFRIC 13 'Customer Loyalty Programmes'. The adoption of this standard does not have any impact on these financial statements.

- **IFRIC 22, 'Foreign Currency Transactions and Advance Consideration':**

  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 of 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 does not have any impact on these financial statements.

- **Annual improvements to IFRSs 2014-2016 cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures']:**

  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 do not have any impact on these financial statements.

The other amendments to published standards and interpretations that are mandatory for the financial year which began on July 1, 2018 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.

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

- **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;

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

  (ii) 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 Company is yet to assess the full impact of the amendment.

- **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 does not have an impact on the Company's financial statements.

- **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 gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognized in profit or loss. The amendment is not likely to have an impact on the Company's financial statements.

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

  IFRS 16 introduces a single lessee accounting model 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 amendment does not 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.

- **Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' (effective for the Company's annual period beginning on January 1, 2019):**

  These amendments and consequential amendments to other IFRSs:
  (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  (ii) clarify the explanation of the definition of material; and
  (iii) incorporate some of the guidance in IAS 1 about immaterial information.
  These amendments are not expected to have a significant impact on the Company's future financial statements.

- **Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020):**

  The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past 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 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'.

4. 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 5.2
- Estimate of useful life of property, plant and equipment - note 5.3
- Impairment of non financial assets - note 5.5
- Provisions - note 5.8
- Contingencies - note 5.10

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 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.

5.2 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.

5.3 Property and equipments

Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment, if any. Cost in relation to operating fixed assets signifies historical cost. Historical cost includes expenditures that are directly attributable to the acquisition or construction of assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with such costs will flow to the entity and such costs can be reliably measured. Cost incurred to replace a component of an item of the operating fixed assets is capitalized and the asset so replaced is retired from use. Normal repair and maintenance costs are charged to statement of income and expenditure during the period in which these are incurred.

Depreciation is charged to statement of profit or loss applying the reducing balance method so as to write off the historical cost / depreciable amount of the assets over their expected useful life at the rates mentioned in note 6.1.

Depreciation on additions during the year is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is 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.

Any gain or loss on disposal of assets is included in statement of income and expenditure in the year in which the assets are derecognized.

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.

5.4 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 7 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.

5.5 Impairment of non financial assets

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 any such indication exists then the asset's recoverable amount is estimated.

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 statement of income and expenditure. 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.

5.6 Loans, advances, prepayments and other receivables

Loans, advances, prepayments and other receivables are recognized initially at fair value and subsequently measured at amortized cost using effective interest rate method less any allowance for expected credit losses.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance.

Loans, advances, prepayments and other receivables considered irrecoverable are written off.

5.7 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.

5.8 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.

5.9 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

5.10 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).

5.11 Revenue recognition

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

5.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

5.12.1 Financial assets

Classification:

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement:

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in income and expenditure.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortized cost**

  Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in income and expenditure and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income and expenditure statement.

- **Fair value through other comprehensive income (FVTOCI)**

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in income and expenditure. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from funds to income and expenditure and recognized in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the income and expenditure statement.

- **Fair value through profit or loss**

  Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the income and expenditure statement.

Derecognition:

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

The rights to receive cash flows from the asset have expired, or

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment:

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

5.12.2 Financial liabilities

Classification and measurement:

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income and expenditure.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the (EIR) effective interest rate method.

Derecognition:

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When 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 or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income and expenditure statement.

5.12.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally 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.

5.13 Related party transactions

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

	NOTE	2019 RUPEES	2018 RUPEES
6. PROPERTY AND EQUIPMENTS			
Operating fixed assets	6.1	152,982,767	161,377,187

6.1 Operating fixed assets

2019								
	COST			DEPRECIATION			W.D.V	Rate
DESCRIPTION	As at July 01, 2018	Additions	As at June 30, 2019	As at July 01, 2018	For the Year	As at June 30, 2019	As at June 30, 2019	%
		[R	U	P E	E	S]		
Building	157,796,764	403,575	158,200,339	13,171,681	7,239,023	20,410,704	137,789,635	5
Furniture and fixtures	4,582,120	13,500	4,595,620	1,316,035	327,734	1,643,769	2,951,851	10
Computers	1,582,711	-	1,582,711	1,286,353	88,907	1,375,260	207,451	30
Office equipments	6,351,998	5,700	6,357,698	2,417,466	394,023	2,811,489	3,546,209	10
Electric installation and equipments	7,163,903	475,000	7,638,903	1,774,356	586,455	2,360,811	5,278,092	10
Cars	3,939,917	-	3,939,917	1,340,219	519,940	1,860,159	2,079,758	20
Motor cycles	133,271	-	133,271	38,019	19,050	57,069	76,202	20
Generators	1,681,412	-	1,681,412	510,780	117,063	627,843	1,053,569	10
Total	183,232,096	897,775	184,129,871	21,854,909	9,292,195	31,147,104	152,982,767	

2018								
	COST			DEPRECIATION			W.D.V	Rate
DESCRIPTION	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]		
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	

7. INVESTMENT PROPERTY

2019								
	COST			DEPRECIATION			W.D.V	Rate
DESCRIPTION	As at July 01, 2018	Additions	As at June 30, 2019	As at July 01, 2018	For the Year	As at June 30, 2019	As at June 30, 2019	%
		[R	U	P E	E	S]		
Land	94,346,760	-	94,346,760	-	-	-	94,346,760	-
Buildings	443,761,624	-	443,761,624	134,454,374	15,465,363	149,919,737	293,841,887	5
Total	538,108,384	-	538,108,384	134,454,374	15,465,363	149,919,737	388,188,647	

2018								
	COST			DEPRECIATION			W.D.V	Rate
DESCRIPTION	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	

	NOTE	2019 RUPEES	2018 RUPEES
8. ADVANCE FOR PURCHASE OF LAND			
Advance for purchase of land	8.1	7,111,835	7,111,835

8.1 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.

9. LONG TERM ADVANCES

	NOTE	2019 RUPEES	2018 RUPEES
Considered good - Secured			
Advance to employees	9.1	1,122,688	1,095,514
Current portion of advance to employees		(786,030)	(949,492)
		336,658	146,022

9.1 These are secured against staff retirement benefits.

10. LONG TERM DEPOSITS

	NOTE	2019 RUPEES	2018 RUPEES
Security deposits with / for:			
FESCO		7,069,056	7,069,056
SNGPL	10.1	2,550,000	2,550,000
Supply of water		3,000	3,000
		9,622,056	9,622,056

10.1 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 1 year KIBOR minus 3% per annum receivable in arears.

11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	NOTE	2019 RUPEES	2018 RUPEES
Considered good			
Advances:			
Suppliers		-	84,240
Current portion of advance to employees	9	786,030	949,492
Prepayments:			
Prepaid insurance		309,820	331,188
Others		7,500	7,500
Other receivables:			
Interest on deposits with SNGPL	10.1	102,765	93,585
Accrued profit on bank deposits		1,549,077	272,411
Profit on short term investments		487,164	587,118
Female exclusive training institute		-	1,528,675
Rent receivable- secured		283,582	2,835,796
Others - secured		842,214	132,992
		4,368,152	6,822,997

12. SHORT TERM INVESTMENTS

	NOTE	2019 RUPEES	2018 RUPEES
Term Deposit Receipts (TDRs) - Amortized cost:			
National Bank of Pakistan	12.1	-	36,030,000
Zarai Taraqiati Bank Limited	12.2	50,000,000	50,000,000
		50,000,000	86,030,000

12.1 This was investment in NBP's Premium Aamdani Certificates. Profit is received on monthly basis at rates ranging from 6.10 % to 7.30% (2018: 6.10% to 7.30%) per annum. These certificates have been matured during the year.

12.2 This represents investment in Zarai Taraqiati Bank Limited (ZTBL)'s PLS Term Deposit Receipts. Profit is receivable on quarterly basis at rates ranging from 7.55% to 10.65% (2018: 6.30%) per annum. These are maturing on various dates upto December 2019.

13. CASH AND BANK BALANCES

	NOTE	2019 RUPEES	2018 RUPEES
Cash in hand		43,877	21,212
Cash at banks			
in current accounts		21,875	49,197
in deposit accounts	13.1	85,347,934	19,190,001
		85,413,686	19,260,410

13.1 Rate of return on deposit accounts ranges from 10.25% to 11.75% (2018: 3.75% to 6.25%) per annum.

		NOTE	2019 RUPEES	2018 RUPEES
14.	**DAY CARE ESTABLISHMENT FUND**			
	Grant received from PDCF Society	**14.1**	**1,630,000**	-

14.1 This represents grant received from Punjab Day Care Fund Society (PDCF Society), Directorate of Women Development, Lahore. The purpose of the fund is establishment of day care center to support working women by making workplace woman friendly through availability of quality and convenient child care. The PDCF Society will assist is establishment of day care center by providing financial support to the Company which will arrange the premises for day care center.

		NOTE	2019 RUPEES	2018 RUPEES
15.	**DEFERRED LIABILITIES**			
	Staff retirement gratuity	**15.2**	**7,019,549**	5,810,692

15.1 This represents an unfunded gratuity scheme, which provides retirement benefits for all employees of the company who attain the minimum qualifying period.

15.2 Reconciliation of staff retirement benefits is as follows:

	2019 RUPEES	2018 RUPEES
Opening balance	**5,810,692**	4,337,585
Add: Provision for the year	**1,412,129**	1,855,087
	7,222,821	6,192,672
Less: Payments made during the year	**203,272**	381,980
Closing balance	**7,019,549**	5,810,692

		NOTE	2019 RUPEES	2018 RUPEES
16.	**TRADE AND OTHER PAYABLES**			
	Payable to contractor		-	1,179,780
	Advance for SMOT Project		**10,000**	-
	Accrued expenses		**325,229**	324,191
			335,229	1,503,971
17.	**SECURITY DEPOSITS**	**17.1**	**11,575,352**	11,575,352

17.1 This represents securities received from tenants under cancelable lease arangements.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.

18. CONTINGENCIES AND COMMITMENTS

There are no significant contingencies and commitments at the reporting date which need to be disclosed in the financial statements.

		NOTE	2019 RUPEES	2018 RUPEES
19.	**REVENUE**			
	Rental income - building	**19.1**	**51,151,946**	42,820,451

19.1 The buildings are rented according to the Public Procurement Rules (PPR), under cancellable lease arrangement.

		NOTE	2019 RUPEES	2018 RUPEES
20.	**OPERATING AND OTHER EXPENSES**			
	Salaries and benefits	**20.1**	**13,842,059**	13,803,101
	Electricity and power		**695,226**	435,924
	Postage and telecommunication		**230,851**	237,207
	Water and sewerage		**88,740**	46,560
	Entertainment		**231,057**	281,235
	Repairs and maintenance		**602,195**	2,620,125
	Printing and stationery		**131,095**	101,725
	Vehicle running and maintenance		**161,534**	159,945
	Travelling and conveyance		**1,011,940**	892,616
	Horticulture/ gardening		**836,780**	520,578
	Training expenses		-	31,552
	Fee and taxes		**67,510**	40,085
	Legal and professional charges		**1,499,600**	1,378,092
	Auditors' remuneration		**110,000**	105,000
	Insurance		**821,259**	762,252
	Meeting expenses		**123,827**	225,775
	Advertisement		**63,020**	194,250
	Inauguration expenses		**76,055**	39,082
	Bank charges		**1,041**	872
	Office utilities		**21,640**	15,840
	Loan to employees waived off		-	224,993
	Balance written off		**84,240**	-
	Others		**6,298**	17,200
			20,705,967	22,134,009

20.1 It includes Rs. 1,412,129 (2018: Rs. 1,855,087) in respect of staff retirement benefits.

	NOTE	2019 RUPEES	2018 RUPEES
21. OTHER INCOME			
Income from financial assets			
Profit on bank deposits		3,299,184	3,184,262
Profit on short term investments	12	6,099,564	2,880,209
Interest income on deposit with SNGPL-Net		84,405	39,780
Income from non-financial assets			
Sale of tender documents		12,000	32,000
Grant for SMOT-III project		136,000	-
Balance written back		-	332,995
		9,631,153	6,469,246
22. TAXATION			
Current	22.1	13,719,807	11,335,642

22.1 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.

23. REMUNERATION OF CHAIRMAN AND EXECUTIVES

		30 June 2019		30 June 2018	
		Chairman	Executives	Chairman	Executives
	NOTE	[R U P E E S]		[R U P E E S]	
Remuneration		-	-	-	1,442,439
Vehicle running allowance	23.1	311,870	-	219,255	-
Leave encashment		-	-	-	99,742
Honorarium		-	-	-	90,010
Gratuity		-	-	-	657,045
Medical		-	-	-	101,256
		311,870	-	219,255	2,390,492
Number		1	-	1	1

23.1 It represents Rs. 10 per km (2018 : 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.

23.2 During the year no employee of the Company falls in the definition of executive as per requirement of the Companies Act, 2017.

23.3 Total number of employees as on June 30, 2019 are 24 (June 30, 2018: 24) and average number of employees during the year ended June 30, 2019 were 22 (June 30, 2018: 23).

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value hierarchy

Fair value is defined as 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. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	2019							
	Carrying Amount				Fair Value			
	Fair value	Amortized cost	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
	[RUPEES]							
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Long term advances	-	1,122,688	-	1,122,688				
Long term deposits	-	9,622,056	-	9,622,056	-	-	-	-
Other receivables	-	3,264,802	-	3,264,802	-	-	-	-
Short term investment	-	50,000,000	-	50,000,000	-	-	-	-
Cash and bank balances	-	85,413,686	-	85,413,686	-	-	-	-
	-	149,423,232	-	149,423,232	-	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	335,229	335,229	-	-	-	-
Security deposits	-	-	11,575,352	11,575,352	-	-	-	-
	-	-	11,910,581	11,910,581	-	-	-	-

	2018							
	Carrying Amount				Fair Value			
	Fair value	Amortized cost	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
	[RUPEES]							
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Long term advances	-	1,095,514	-	1,095,514	-	-	-	-
Long term deposits	-	9,622,056	-	9,622,056	-	-	-	-
Other receivables	-	5,450,577	-	5,450,577	-	-	-	-
Short term investment	-	86,030,000	-	86,030,000	-	-	-	-
Cash and bank balances	-	19,260,410	-	19,260,410	-	-	-	-
	-	121,458,557	-	121,458,557	-	-	-	-
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	-	-	-	-

25. 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. 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.

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

- Market risk
- Credit risk
- Liquidity risk

25.1 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 risk comprises interest rate risk, currency risk and other price risk such as equity risk. The sensitivity analysis in the following sections relate to the position as at June 30, 2019 and 2018.

25.1.1 Interest rate risk:

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from deposit with SNGPL, investments in term deposit receipts and balances in deposit accounts.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2019	2018
Fixed rate instruments		
Short term investments (Rupees)	**50,000,000**	86,030,000
Variable rate instruments		
Security deposit with SNGPL (Rupees)	**2,550,000**	2,550,000
Effective interest rate in percentage	**4.03**	3.67
Bank balances in deposit accounts (Rupees)	**85,347,934**	19,190,001
Effective interest rate in percentage	**11.00**	5.00

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 balance sheet date would not affect statement of profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on balances in deposit accounts and deposit with SNGPL at the year end date, fluctuate by 100 bps higher / lower with all other variables, in particularly foreign exchange rates held constant, profit before taxation for the year 2019 and 2018 would have been affected as follows:

	2019 RUPEES	2018 RUPEES
Effect on profit and loss of an increase in interest rate for deposit with SNGPL	**25,500**	10,839
Effect on profit and loss of an increase in interest rate for balances in deposit accounts	**299,926**	636,852
	325,426	647,691

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.

25.1.2 Currency risk / Foreign Exchange 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. Foreign currency risk arises mainly where receivables and payables exist due to foreign currency transactions. The Company is not exposed to any currency risk as there are no receivables and payables denominated in foreign currencies.

25.1.3 Other price risk:

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. However, the Company is not exposed to any significant price risk.

25.2 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 that is susceptible to 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 maximum exposure to credit risk at the reporting date is as follows :

	2019 RUPEES	2018 RUPEES
Long term advances	**1,122,688**	1,095,514
Long term deposits	**9,622,056**	9,622,056
Other receivables	**3,264,802**	5,450,577
Short term investment	**50,000,000**	86,030,000
Bank balances	**85,369,809**	19,239,198
	149,379,355	121,437,345

Long term advances are given to employee of the Company and are secured against employees' retirement benefits. Therefore, Company is not exposed to any significant credit risk on these advances.

Long term deposits have been mainly placed with utility companies, i.e. FESCO and SNGPL. Considering the financial position and credit quality of the institutions, Company's exposure to credit risk is not significant.

Other receivables constitute profit receivable on deposit with SNGPL, bank deposits and short term investments and receivables from tenant of buildings. For 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 receivables.

Short term investment is investment in TDRs. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The credit quality of Company's bank balances can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

Name of Bank	Date	Long term	Short term	Outlook	Agency
Habib Metropolitan Bank Limited	27-Jun-19	AA+	A1+	Stable	PACRA
Zarai Taraqiati Bank Limited	26-Jun-19	AAA	A1+	Stable	JCR-VIS
National Bank of Pakistan	28-Jun-19	AAA	A1+	Stable	PACRA

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. Accordingly, the risk is minimal.

25.3 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 funds. This also 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 following are the contractual maturity analysis of financial liabilities as at June 30, 2019 and 2018:

	2019				
	Carrying amount	Contractual cash flows	Within 6 months	More than 6 months and up to 1 year	More than 1 year and up to 5 years
	[R U P E E S]				
Financial Liabilities :					
Trade and other payables	335,229	335,229	335,229	-	-
Security deposits	11,575,352	11,575,352	11,575,352	-	-
	11,910,581	**11,910,581**	**11,910,581**	-	-

	2018				
	Carrying amount	Contractual cash flows	Within 6 months	More than 6 months and up to 1 year	More than 1 year and up to 5 years
	[R U P E E S]				
Financial Liabilities :					
Trade and other payables	1,503,971	1,503,971	1,503,971	-	-
Security deposits	11,575,352	11,575,352	11,575,352	-	-
	13,079,323	13,079,323	13,079,323	-	-

26. FUND MANAGEMENT

The primary objective of the Company's fund management is to safeguard the Company's ability to continue as a going concern and to maintain a strong fund base to support the sustained development of its operations and to ensure ample availability of finance for its existing and potential investment projects, so that it can continue to provide returns for stakeholders thereby maximizing their wealth and reduce the cost of funds.

27. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of entities under common directorship, directors, their close family members and other key management personnel. The outstanding balances with related parties, significant transactions carried out with them during the year and remuneration to chairman, directors and others have been disclosed in the relevant notes to these financial statements.

28. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on 04 OCT 2019 by the Board of Directors of the Company.

29. GENERAL

29.1 Corresponding figures

Corresponding figures have been rearranged, wherever necessary, for the purpose of better presentation and comparison. However, during the year no significant reclassifications are made in the corresponding figures.

29.2 Rounding

Figures have been rounded off to the nearest Rupee.

CHAIRMAN DIRECTOR CHIEF ACCOUNTANT