

Annual Report 2019



**Yousaf Weaving Mills Limited**



## Vision

To be a dynamic business group with expanding and diversifying businesses that excel at creating value for all stakeholders through exceptional products and services while fulfilling obligations to community, country, and environment.

## Mission

To provide quality products to customers and explore new markets to promote / expand sales of the Company through good governance and foster a sound and dynamic team, so as to achieve optimum prices of products of the Company for sustainable and equitable growth and prosperity of the Company.

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## COMPANY INFORMATION

## BOARD OF DIRECTORS

Mst. Alia Khanum	(Chairman)
Khawaja Mohammad Nadeem	(Chief Executive)
Khawaja Shahzad Younus	(Director)
Mst. Nargis Sultana	(Director)
Mr. Khalid Mehmood	(Director)
Mr. Waseem Baig	(Director)
Sheikh Maqbool Ahmed	(Independent Director)
Mr. Mohammad Tariq Sufi	(Independent Director)

## AUDIT COMMITTEE

Mr. Mohammad Tariq Sufi	(Chairman)
Mr. Khalid Mehmood	(Member)
Khawaja Shahzad Younus	(Member)

## HR &amp; REMUNERATION COMMITTEE

Mr. Mohammad Tariq Sufi	(Chairman)
Mr. Waseem Baig	(Member)
Mr. Khalid Mehmood	(Member)

## COMPANY SECRETARY

Mr. Nadeem Anwar	(ACA)
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## CHIEF FINANCIAL OFFICER

Mr. Tauseef Ahmad

## BANKERS

Habib Metro Bank Limited  
National Bank of Pakistan  
Askari Bank Limited  
The Bank of Punjab

## AUDITORS

Aslam Malik & Co.  
Chartered Accountants  
Suite # 18-19, 1st Floor,  
Central Plaza, Civic Centre,  
New Garden Town, Lahore. Pakistan.

## CORPORATE &amp; REGISTERED OFFICE

7/1-E-3 Main Boulevard Gulberg III, Lahore.  
Tel : (042) 35717510  
Fax : (042) 35755760

## SHARE REGISTRARS

Corp link (Pvt) Limited  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore  
Tel: (042) 35839182  
Fax: (042) 35869037

## WEAVING UNIT

49-Kilometer  
Multan Road, Bhai Pheru  
Tel: (04943) 540083-4

## SPINNING UNIT

7-Kilometer  
Multan Road, Pattoki  
Tel: (04943) 540083-4

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32nd Annual General Meeting of members of YOUSAF WEAVING MILLS LIMITED (the "Company") will be held at the Registered Office of the Company situated at 7/1 E-3, Main Boulevard, Gulberg III, Lahore on Wednesday, November 27, 2019 at 11:00 a.m. to transact the following business :-

## ORDINARY BUSINESS:

1. To confirm the minutes of last AGM held on November 27, 2018.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2019, together with the reports of Directors and Auditor's report thereon.
3. To appoint auditors for the year ending June 30, 2020 and to fix their remuneration. The retiring auditors Aslam Malik & Company Chartered Accountants have shown their interest in their reappointment.
4. To transact any other business which may be brought forward with the permission of the Chair.

## SPECIAL BUSINESS:

1. To obtain consent of the shareholders in terms of S.R.O. 470(I)/2016 dated 31 May 2016 issued by Securities and Exchange Commission of Pakistan, for the transmission of the annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company either through CD or DVD or USB and to pass the following resolution as an Ordinary Resolution, with or without modification:

"Resolved that consent & approval of the members of Yousaf Weaving Mills Limited (the "Company") be and is hereby accorded for transmission of annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company to the members for future years commencing from the year ending on June 30, 2020 through CD or DVD or USB instead of transmitting the same in hard copies."

"Further Resolved that Chief Executive Officer or Company Secretary of the Company be and is hereby authorized to do all acts, deeds and things, take or cause to be taken all necessary actions to comply with all legal formalities and requirements and file necessary documents as may be necessary or incidental for the purposes of implementing this resolution"

The Directors have no interest except to the extent of their directorship and shareholding.

BY ORDER OF THE BOARD

Lahore:  
November 05, 2019

NADEEM ANWAR  
Company Secretary

## NOTES:

1. A statement of material facts under section 134 of the Companies Act 2017 concerning the special business to be transacted at AGM is being sent to the members with the notice of the meeting.
2. The share transfer books for ordinary shares of the Company will be closed from 21-11-2019 to 27-11-2019 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore by the closure of business on November 20, 2019 will be in treated in time. The same or any change in address, if any, alongside valid copy of CNIC for filing annual return of Company be sent to our share registrar M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 042-35839182.
3. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty eight (48) hours before the time of meeting. Members through CDC appointing proxies must attach attested copy of their Computerized National Identity Card (CNIC) or Passport with the proxy form.
4. The shareholders through CDC, who wish to attend the Annual General Meeting, are requested to please bring, original CNIC. CDC account holder will further have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
5. In case of corporate entity, certified copy of the board of directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.
6. The financial statements for the year ended June 30, 2019 shall be uploaded on the Company's website [www.yousafweavingmills.com](http://www.yousafweavingmills.com) twenty one days prior to the date of holding of annual general meeting.
7. Pursuant to SECP Notification S.R.O. 787(I)/ 2014 dated September 8, 2014, members may inform the Company to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form available on Company's website.
8. If the Company receives consent from the members holding at least 10% shareholding residing in a city, to participate in the meeting through video-link at least 07 days prior to date of the meeting, the Company will arrange facility of video-link in that city subject to availability of such facility in that city.
9. Members are requested to promptly notify the Company of any change in their registered address.

Statement under Section 134 of the Companies Act, 2017  
Concerning the Special Business

- This statement set out the material facts concerning the special business to be transacted at the annual general meeting of the Company to be held on November 27, 2019.
- Securities and Exchange Commission of Pakistan has vide S.R.O 470(I)/2016 dated 31 May 2016 allowed the companies to circulate the annual reports including annual audited accounts, notices of Annual General Meetings and other information contained therein of the Company to its members through CD/DVD/USB subject to consent of the shareholders in the general meeting. This will save time and expenses incurred on printing of the annual report.
- The Company shall supply the hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand.
- After approval of the shareholders, the Company will place a Standard Request Form on its website to communicate their need of hard copies of the documents along with postal and email address of the Company Secretary/Share Registrar to whom such requests shall be made.
- Accordingly, the directors have placed the matter before the shareholders for their approval and to pass the ordinary resolution as proposed in the notice of meeting.
- The Directors are interested to the extent of their directorship / shareholding.

**REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF THE BOARD  
AND EFFECTIVENESS OF THE ROLE PLAYED BY THE BOARD  
IN ACHIEVING THE COMPANY'S OBJECTIVES**

The Board of Directors (the Board) of Yousaf Weaving Mills Limited (YWML) has performed their duties diligently in upholding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner. The Board has exercised its powers and has performed its duties as stated in the Companies Act 2017 (previously Companies Ordinance 1984) and the listed Companies (Code of Corporate Governance) regulations, 2017.

- The Board has actively participated in strategic planning processes, enterprise risk management system, policy development and financial structure, monitoring and approval;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;
- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and/or internal audit activities;
- The Board has prepared and approved the director's report and has ensured that the director's report is published with the quarterly and annual financial statement of the Company and the content of the director's report are in accordance with the requirement of applicable laws and regulations;
- The Board has ensured the hiring, evaluation and compensation of the Chief Executive Officer and other key executives including Chief financial Officer, Company Secretary and Head of internal Audit;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings; and
- The Board has exercised its power in light of power assigned to the Board in accordance with the relevant laws and regulations applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in term of their conduct as directors and exercising their powers and decision making.

The annual evaluation of the Board's performance is assessed based on the key areas where the Board requires clarity in order to provide high level oversight, including the strategic process; key business drivers and performing milestones, the global economic environment and competitive context in which the Company operates; the risks faced by the Company's business; Board dynamics; capability and information flows. Based on the aforementioned, it can reasonably be stated that the Board of YWML has played a key role in ensuring that the Company objectives are not only achieved, but also exceeded expectations through a joint effort with the management team and guidance and oversight by the Board and its members.

Lahore:  
November 05, 2019

Mst. Alia Khanum  
Chairman



## بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ کے ممبران کی سرچشمی کی جائزہ رپورٹ

یوسف و یونگ ملز لمیٹڈ (YWML) کے بورڈ آف ڈائریکٹرز (بورڈ) نے کمپنی کے حصہ داروں کے بہترین مفاد کو برقرار رکھنے میں اپنی ذمہ داریاں تندہی سے انجام دی ہیں اور کمپنی کے امور کو موثر اور بروقت انداز سے منظم کیا ہے۔ بورڈ نے کمپنی ایکٹ 2017 (سابقہ کمپنی آرڈیننس 1984) اور لسٹڈ کمپنی (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 میں دیئے گئے اپنے اختیارات اور ذمہ داری کو بخوبی سرانجام دیا ہے۔

بورڈ نے اسٹریٹجک منصوبہ بندی کے عمل، ادارے کو لاحق خطرات کا انتظامی نظام، پالیسی ڈویلپمنٹ اور مالیات ساخت کی نگرانی اور منظوری میں فعال طور پر حصہ لیا ہے۔

سال بھر میں تمام اہم مسائل بورڈ یا اس کی کمیٹیوں کے روبرو کاروباری فیصلہ سازی کے عمل کو مضبوط بنانے کے لئے پیش کئے گئے اور خاص طور پر کمپنی کی طرف سے کئے گئے تمام متعلقہ پارٹی کے ساتھ لین دین کو آڈٹ کمیٹی کی سفارشات پر بورڈ نے منظوری دی۔

بورڈ نے اس بات کو یقینی بنایا ہے کہ اندرونی کنٹرول کا مناسب نظام موجود ہے اور خود تشخیصی طریقہ کار اور/یا انٹرنل آڈٹ سرگرمیوں کے ذریعے اس کی باقاعدگی سے جانچ پڑتال کی جاتی ہے۔

بورڈ نے مجلس نظام کی رپورٹ کی تیاری اور منظوری دی ہے اور اس بات کو یقینی بنایا ہے کہ مجلس نظام کی رپورٹ کمپنی کی سہ ماہی اور سالانہ مالیاتی حسابات کے ساتھ شائع ہوئی اور مجلس نظام کی رپورٹ کا مواد قابل اطلاق قوانین اور قواعد و ضوابط کے مطابق ہے۔

بورڈ نے چیف ایگزیکٹو سمیت دیگر اہم ایگزیکٹوز بشمول چیف فنانس آفیسر، کمپنی سیکرٹری اور انٹرنل آڈٹ کے سربراہ کی ملازمت اور معاوضہ سازی کو یقینی بنایا ہے۔

بورڈ نے اس کے اراکین کے درمیان بروقت طریقے سے تسلی بخش معلومات کے تبادلے کو یقینی بنایا اور بورڈ کے ممبران کو اجلاس کے درمیان ڈویلپمنٹ کے بارے میں لمحہ بہ لمحہ باخبر رکھا گیا ہے اور

بورڈ نے کمپنی پر قابل اطلاق متعلقہ قوانین اور قواعد و ضوابط کی روشنی میں دیئے گئے اختیارات کے مطابق اپنے اختیارات کا استعمال کیا ہے اور بورڈ نے ہمیشہ بحیثیت ڈائریکٹرز اپنے اختیارات کے استعمال اور فیصلہ سازی کرنے کے برتاؤ میں تمام قابل اطلاق قوانین اور قواعد و ضوابط کی تعمیل کو ترجیح دی ہے۔

بورڈ کی سالانہ کارکردگی اہم شعبوں پر مبنی ہے جہاں بورڈ کو اعلیٰ درجے کی نگرانی مہیا کرنے بشمول اسٹریٹجک عمل: کلیدی کاروباری امور، سنگ میل کی تکمیل، عالمی معاشی ماحول اور مسابقتی سیاق و سباق جس میں کمپنی کام کرتی ہے، کمپنی کے کاروبار کو درپیش خطرات، بورڈ کے محرکات، صلاحیت اور معلومات مہیا کرنے کے لئے وضاحت دینے کی ضرورت ہوتی ہے۔ مذکورہ بالا کی بنیاد پر، یہ مناسب طور پر کہا جاسکتا ہے کہ YWML کے بورڈ نے اس بات کو یقینی بنانے میں اہم کردار ادا کیا ہے کہ کمپنی کے مقاصد کو نہ صرف حاصل کیا جاسکتا ہے، بلکہ بورڈ اور اس کے ارکان کی راہنمائی اور نگرانی کے ذریعہ انتظامیہ ٹیم کی مشترکہ کوششوں کے ساتھ توقعات سے بھی آگے بڑھا جاسکتا ہے۔

عالیہ خانم

چیئر مین

لاہور

۵ نومبر ۲۰۱۹

## DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of Yousaf Weaving Mills Limited, we are pleased to submit annual report of your Company together with audited financial statements and auditors' report thereon for the year ended 30th June 2019.

## Financial Performance:

The management of your company with strategic vision and commitment has switched the fate of the company from the spiral of woes to a new horizon of brightness. The textile industry was facing multiple challenges in the last many years which accumulated losses. It is encouraging that the management did not put its hand but continuously strive to get a momentum toward better results and sustainable business environment. The weaving unit is flying vessel of the company and the management was aimed to strengthen its potential capacity to reinforce its ability toward profitability and streamed business relations with the financial institutions. Since the commencement of current financial year the management has added 46 looms which contributed in terms of additional revenue of Rs. 177 million which is 32% of more than the last year. With the blessing of Almighty Allah we get succeeded and earned a gross profit of Rs. 8 million as compared to gross loss of Rs. 55 million in the corresponding period. The weaving unit contributed Rs 73 million toward the archived gross margin but it was impaired by the heavy losses of the spinning unit of the company. The company incurred a net loss of Rs. 74 million as compared to Rs.165 million in the year 2018. The company with its continued efforts managed to control the cost to do business affectively.

## Financial Statements Audit

Financial statements of the Company have been audited by M/s. Aslam Malik & Co. Chartered Accountants, the statutory external auditors of the Company. The auditors have given qualified opinion on certain matters which are explained below:

- a) The company is facing recovery pursuits by the banks. The court in the suit of NBP has issued partial decree for Rs. 77.46 million against which appeal has been filed. The amount questioned by auditors included Rs 18.8 million against which the court allow leave to defend to the defendant. The partial decree is subject to cost of funds. The ramming part of Rs. 35.75 million pertain to HMB which is included in its filed suit. The mark up is not charged on the said borrowing as the matter is under litigation along with the cost of funds, to be determined by the banking court.
- b) The management shall comply with the provisions of Companies Act 2017 on unclaimed dividend in true vigilance and shall comply with the provision of law in letter and spirit.
- c) The audit observation on going concern has been disclosed in Note no 1.3 of the financial statements.

## Future Outlook:

The industry was aiming bundle of ambitions from the current political Government but it had doldrums the entire business and economic environment with uncertain economic measure. The unprecedented rupee devaluation marred every effort to control the cost and made our product uncompetitive. The industry which was relying on zero rated regime has unexpectedly burdened with 17% sales tax which has evaded the buyers from the local market. The incentive given by the Government to provide subsidize energy to textile has not get legal cover as the industry has to move to the court to get relief warranted by the government which is awful for the desired suitable business conditions. The Government could only get desired economic results if it gives sustainable business friendly policies, otherwise the economic woes will multiply with each passage of time.

The operating performance of the company is optimistic and hopefully looks to financially strong the muscles of the company to put the company on the course of financial discipline with encouraged operating performance. We aim to strengthen ties with our banks toward normal business relations in the period to come. We shall continue to reinforce our hard ware infrastructure to have sustainability in the operating performance of the company. We believe in the coming period we shall left behind the stigma of continued losses and shall be on the path of profitability with reshaping of our litigated financing facilities with the banks.

## Principal Activity

The principal activity of the Company is manufacturing and sale of yarn and fabric.

### Principal Risks and Uncertainties

The Board of Directors is responsible to oversee the Company's operations and to devise an effective strategy to mitigate any potential adverse impact of risks.

The Company's principal financial liabilities comprise short term finances, trade and other payables and accrued mark-up. The Company's principal financial assets comprise stocks, short term investments, trade debts, loans and advances, trade deposits and other receivables, cash and bank balances that arise directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The Company has adequately disclosed all the litigation and their expected outcomes in the financial statements.

### Corporate Social Responsibility

The Company strongly believes in the integration of Corporate Social Responsibility into its business, and consistency endeavors to uplift communities that are influenced directly or indirectly by our business.

### Environment, Health and Safety

The Company maintains safe working conditions avoiding the risk to the health of employees and public at large. The management has maintained safe environment in all its operations throughout the year and its constantly upgrading their safety and living facilities.

Safety is a matter of concern for machinery as well as the employees working at plant. Fire extinguishers and other fire safety equipments have been placed at sites as well as registered and head office of the Company. Regular drills are performed to ensure efficiency of fire safety equipments.

### Internal Financial Controls

A system of sound internal control is established and implemented at all levels of the Company by the Board of Directors. The system of internal control is sound in design for ensuring achievement of Company's objectives and operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

### Related Parties

All related party transactions during the financial year ended June 30, 2019 were reviewed by the Audit Committee and approved by the Board of Directors.

### Compliance with the Code of Corporate Governance:

The requirements of the Code of Corporate Governance set out by the Pakistan Stock Exchange in its Listing Regulations have been adopted by the Company and have been duly complied with. A statement to this effect is annexed to the Report.

### Corporate Governance & Financial Reporting Framework:

As required by the Code of Corporate Governance, Directors are pleased to report that:

- i) The financial statements prepared by the management of the Company present fair state of Company's operations, cash flows and changes in equity.
- ii) Proper books of account of the Company have been maintained.
- iii) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based upon reasonable and prudent judgment.

- iv) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements, and any departures there from has been adequately disclosed and explained.
- v) The system of internal control is sound in design and has been effectively implemented and monitored.
- vi) Key operating and financial data for the last five years is annexed.
- vii) There has been no departure from the best practices of corporate Governance, as detailed in the listing regulations.
- viii) We have been prepared and circulated a statement of ethics and business strategy among directors and employees.
- ix) The Company has neither declared dividend nor issued bonus shares because of loss sustained by the Company for the year ended 30th June 2019.
- x) Outstanding taxes and levies are given in the notes to the financial statements.

#### Shareholding Pattern

The share holding pattern as at June 30, 2019 for ordinary shares is annexed.

#### Appointment of Auditors

M/s. Aslam Malik & Co. Chartered Accountants, Lahore are due to retire and being eligible, offer themselves for re-appointment as Auditors for the financial year 2019-2020. The Audit Committee has recommended for re-appointment of present auditors.

#### Composition of Board

1. The total number of directors are 08 as per the following:
  - a. Male : 06
  - b. Female : 02
2. The composition of the board is as follows:
  - a. Executive Directors : 01
  - b. Other Non-Executive Directors : 05
  - c. Independent Directors : 02

#### Name of Directors

#### Date of New Appointments

i) Mr. Khawaja Mohammad Nadeem (Executive Director)	
ii) Mst. Alia Khanum (Chairman)	04/03/2019
iii) Mst. Nargis Sultana (Director)	04/03/2019
iv) Mr. Khawaja Shahzad Younus (Director)	04/03/2019
v) Mr. Khalid Mahmood (Director)	04/03/2019
vi) Mr. Waseem Baig (Director)	04/03/2019
vii) Mr. Sheikh Maqbool Ahmed (Independent Director)	04/03/2019
viii) Mr. Mohammad Tariq Sufi (Independent Director)	04/03/2019

The auditors in its review report highlighted that “the company has not arranged director training program or obtained exemption from director training program from the SECP”. Since fresh election of directors has been held on March 04, 2019 therefore the company shall comply with this requirement of directors' training program with-in one year time frame as defined in Code of Corporate Governness Regulations, 2017.

### Committees of the Board

The Board has made following sub-committees:

#### Audit Committee Meetings:

- |      |                            |          |
|------|----------------------------|----------|
| i.   | Mr. Mohammad Tariq Sufi    | Chairman |
| ii.  | Mr. Khalid Mahmood         | Member   |
| iii. | Mr. Khawaja Shahzad Younus | Member   |

#### HR and Remuneration Committee Meetings:

- |      |                         |          |
|------|-------------------------|----------|
| i.   | Mr. Mohammad Tariq Sufi | Chairman |
| ii.  | Mr. Waseem Baig         | Member   |
| iii. | Mr. Khalid Mahmood      | Member   |

### Significant Features of Directors' Remuneration

The Board of Directors has approved a formal policy for remuneration of executive directors depending upon their responsibility in affairs of the Company. The remuneration is commensurate with their level of responsibility and expertise needed to govern the Company successfully and to encourage value addition from them.

### Acknowledge

Continued diligence and devotion of the staff and workers of the Company and good human relations at all levels deserve acknowledgment. The Directors also wish to place on record their thanks to all stakeholders for their continued support to the Company.

On behalf of the Board

Lahore:  
November 05, 2019

Khawaja Mohammad Nadeem  
Chief Executive Officer

Mst. Alia Khanum  
Chairman

## حصص داران کو مجلس نظاماء کی رپورٹ

یوسف ویونگ ملز لمیٹڈ کی مجلس نظاماء کی جانب سے، ہم 30 جون 2019 کو ختم ہونے والے سال کے لیے کمپنی کی سالانہ رپورٹ مع جانچ شدہ حسابات اور ان پر آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

## مالی کارکردگی

آپ کی کمپنی کی انتظامیہ نے اسٹرٹیجک وژن اور عزم کے ساتھ مشکلات میں گھری کمپنی کو ایک روشن نئے افق کی طرف موڑ دیا ہے۔ ٹیکسٹائل انڈسٹری کو پچھلے کئی سالوں سے متعدد چیلنجز کا سامنا کرنا پڑ رہا تھا جس سے مجموعی نقصانات اٹھانا پڑے۔ یہ حوصلہ افزا ہے کہ انتظامیہ نے ہمت نہیں ہاری بلکہ بہتر نتائج اور پائیدار کاروباری ماحول کی طرف گامزن رہنے کے لئے مستقل جدوجہد جاری رکھی۔ ویونگ یونٹ کمپنی کا ایک منافع بخش یونٹ ہے اور انتظامیہ کا مقصد اسکی ممکنہ صلاحیت کو مستحکم کرنا ہے تاکہ اس کی صلاحیت کو منافع بخش اور مالی اداروں کے ساتھ کاروباری تعلقات کو مضبوط بنایا جاسکے۔ رواں مالی سال کے آغاز پر انتظامیہ نے 46 لاکھ روپے کا اضافہ کیا ہے جس کی وجہ سے 177 ملین روپے کے اضافی محصولات حاصل ہوئے۔ جو پچھلے سال کے مقابلے میں 32 فیصد زیادہ ہے۔ اللہ تعالیٰ کی رحمت سے ہمیں کامیابی حاصل ہوئی ہے اور گزشتہ سال کی اسی مدت میں 55 ملین روپے کے مجموعی نقصان کے مقابلے میں موجودہ عرصہ میں 8 ملین روپے کا خام منافع کمایا ہے۔ خام منافع کی مدتیں ویونگ یونٹ نے 73 ملین روپے کا حصہ شامل کیا لیکن کمپنی کے سپینگ یونٹ کو بھاری نقصان کی وجہ سے خسارہ ہوا۔ کمپنی کو سال 2018 میں 165 ملین روپے کے مقابلے میں اس سال 74 ملین روپے کا خالص خسارہ ہوا ہے۔ کمپنی نے اپنی مستقل کوششوں سے کاروبار کو متاثر کرنے والے اخراجات پر قابو پایا ہے۔

## مالی حسابات کی جانچ پڑتال

میسرز اسلم ملک اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس، کمپنی کے قانونی بیرونی آڈیٹرز نے کمپنی کے مالی حسابات کی جانچ پڑتال کی ہے۔ محاسب نے چند معاملات پر مستند رائے دی ہے جن کی وضاحت ذیل میں کی گئی ہے۔

(a) کمپنی کو بینکوں کی طرف سے دائر قرضے کی وصولی کے مقدموں کا سامنا ہے۔ نییشنل بینک آف پاکستان کے مقدمے میں عدالت نے 77.46 ملین روپے کا جزوی فرمان جاری کیا جس کے خلاف ایپیل دائر کی گئی ہے۔ محاسب کی جانب سے پوچھی گئی رقم میں 18.8 ملین روپے شامل تھے جس پر عدالت نے مدعا علیہ کو رعایت دینے کی اجازت دی ہے۔ جزوی فرمان فنڈز کی لاگت کی بابت ہے۔ 35.75 ملین روپے کی باقی رقم حبیب میٹروپولیٹن بینک لمیٹڈ سے متعلق ہیں جو ان کے دائر مقدمہ میں شامل ہے۔ مذکورہ قرضے پر مارک اپ عائد وصول نہیں کیا جاتا کیوں کہ معاملہ فنڈز کی لاگت کے ساتھ ساتھ قانونی چارہ جوئی کے تحت ہے، جس کا تعین بینکاری عدالت کرے گی۔

(b) انتظامیہ غیر دعویٰ شدہ ڈیوٹیڈ پریڈ پر حقیقی معنوں میں کمپنیز ایکٹ 2017 کی شقوں پر عمل کرے گی قانون کی دفعات پر اس کی اصل روح کے مطابق عمل کرے گی۔

(c) کمپنی کا کاروبار جاری رہنے سے متعلق آڈٹ مشاہدے کا مالی حسابات کے نوٹ نمبر 1.3 میں انکشاف کیا گیا ہے۔

## مستقبل کا نقطہ نظر

صنعت موجودہ سیاسی حکومت کے عزم سے بہت زیادہ پرامید تھی لیکن اس نے غیر یقینی معاشی اقدام کے ساتھ تمام کاروبار اور معاشی ماحول کو خراب کر دیا۔ روپیہ کی قدر میں بہت زیادہ کمی نے لاگت پر قابو پانے کی ہر کوشش کو ناکام بنا دیا اور ہماری مصنوعات کو غیر مسابقتی بنا دیا۔ اس صنعت جو صفر ریڈ نظام پر بھر سہ کر رہی تھا پر غیر متوقع طور پر 17 فیصد سلیڈ ٹیکس کا بوجھ پڑا ہے جس کے سبب خریدار مقامی مارکیٹ سے پرہیز کر رہے ہیں۔ ٹیکسٹائل کو رعایتی بجلی فراہم کرنے کے لئے حکومت کی طرف سے دی جانے والے مراعات کو قانونی تحفظ نہیں ملا ہے کیونکہ صنعت کو حکومت سے ریلیف حاصل کرنے کے لئے عدالت میں جانا پڑا ہے جس کے لئے موجودہ کاروباری حالات سازگار نہیں ہیں۔ حکومت صرف اسی صورت مطلوبہ معاشی نتائج حاصل کر سکتی ہے اگر وہ پائیدار کاروبار دوست پالیسیاں پیش کرے، بصورت دیگر معاشی پریشانی ہرگزرتے وقت کے ساتھ کئی گنا بڑھتی جائیگی۔

کمپنی کی آپریٹنگ کارکردگی امید افزا ہے اور کمپنی کو حوصلہ افزاء آپریٹنگ کارکردگی کے ساتھ مالی نظم و ضبط پر گامزن رکھنے کے لئے کمپنی کا مالی استحکام مضبوط ہونے کی امید دلاتی ہے۔ ہمارا مقصد ہے کہ آنے والے عرصے میں معمول کے کاروباری تعلقات کے ساتھ ساتھ بینکوں کے ساتھ اپنے تعلقات کو مستحکم بنائیں۔ ہم کمپنی کی آپریٹنگ کارکردگی میں استحکام رکھنے کے لئے اپنے ہارڈ ویئر کے بنیادی ڈھانچے کو مضبوط بنانا جاری رکھیں گے۔ ہمیں یقین ہے کہ آنے والے دور میں ہم مسلسل نقصانات کے داغ کو پیچھے چھوڑ دیں گے اور بینکوں کے ساتھ اپنی قانونی مالی سہولیات کی بحالی کے ساتھ منافع کی راہ پر گامزن ہوں گے۔

## اولین سرگرمی

کمپنی کی اولین سرگرمی دھاگے اور کپڑے کی تیاری اور فروخت ہے۔

## اولین خطرات اور غیر یقینی صورتحال

بورڈ آف ڈائریکٹرز کمپنی کی کارروائیوں کی نگرانی اور ممکنہ خطرات سے نمٹنے کے لئے ایک مؤثر حکمت عملی وضع کرنے کی ذمہ دار ہے۔

کمپنی کے اولین مالی واجبات، مختصر مدتی قرضہ جات، تجارتی و دیگر واجبات اور مارک اپ پر مشتمل ہوں۔ کمپنی کے اولین مالیاتی اثاثوں میں اسٹاک، قلیل مدتی سرمایہ کاری، قرضے، اور پینڈنگس، تجارتی ذخائر اور دیگر قابل وصولی رقم، نقدی اور بینک بیلنس شامل ہیں جو سرگرمیوں سے براہ راست حاصل ہوتے ہیں۔

کمپنی کی سرگرمیاں اسے متعدد مالی خطرات سے دوچار کرتی ہیں: منڈی کا خطرہ (بشمول کرنسی کا خطرہ، شرح سود کا خطرہ اور قیمت کا خطرہ)، ادھار کا خطرہ اور مالی مابعت کا خطرہ۔

کمپنی کا مجموعی طور پر خطرات کو کم کرنے کا پروگرام مالی منڈی کی غیر یقینی صورت حال پر مرکوز ہے اور کمپنی کی مالی کارکردگی پر اثر انداز ہونے والے ممکنہ منفی اثرات کو کم کرنے کی کوشش کرتا ہے۔ کمپنی نے مقدمات اور

ان کے ممکنہ اثرات کو مالی حسابات میں مناسب طور پر ظاہر کر دیا ہے۔

### کارپوریٹ سماجی ذمہ داری

کمپنی اپنے کاروبار میں کارپوریٹ سماجی ذمہ داری کی شمولیت پر پختہ یقین رکھتی ہے، اور استقامت کے ساتھ ان گروہوں کی ترقی کے لئے کوشش کرتی ہے جو ہمارے کاروبار سے براہ راست یا بلاواسطہ متاثر ہوتے ہیں۔ ماحول، صحت اور حفاظت

کمپنی بڑے پیمانے پر ملازمین اور عوام کی صحت کو لاحق خطرات سے بچانے کے لئے محفوظ کام کے حالات برقرار رکھتی ہے۔ انتظامیہ نے سال بھر اپنی تمام تر سرگرمیوں میں محفوظ ماحول برقرار رکھا ہے اور ان کی حفاظت اور روزمرہ کی سہولیات کو تسلسل کے ساتھ بہتر بنایا ہے۔

حفاظت کا معاملہ مشینری اور پلانٹ میں کام کرنے والے ملازمین سے متعلق ہے۔ آگ بجھانے والے آلات اور آگ سے حفاظت کا دیگر ساز و سامان کمپنی کی ملوں اور کمپنی کے رجسٹرڈ اور مرکزی دفتر میں رکھے گئے ہیں۔ آگ سے حفاظت والے ساز و سامان کی کارکردگی کو یقینی بنانے کے لئے باقاعدگی سے مشقیں کی جاتی ہیں۔

### داخلی مالیاتی کنٹرول

بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی تمام سطحوں پر منظم اندرونی کنٹرول کا نظام وضع اور نافذ کیا گیا ہے۔ اندرونی کنٹرول کا نظام کمپنی کے مقاصد کو حاصل کرنے اور کارکردگی کو موثر بنانے، قابل اعتماد مالی رپورٹنگ اور قوانین، ضوابط اور پالیسیوں پر عمل درآمد کو یقینی بناتا ہے۔

### متعلقہ پارٹی

30 جون 2019 کو ختم ہونے والے مالی سال کے دوران تمام متعلقہ پارٹیوں کے ساتھ لین دین کا آڈٹ کمیٹی نے جائزہ لیا اور بورڈ آف ڈائریکٹرز نے اس کی منظوری دی۔

کوڈ آف کارپوریٹ گورننس پر عملدرآمد

کمپنی نے پاکستان اسٹاک ایکسچینج کی طرف سے طے کردہ کوڈ آف کارپوریٹ گورننس کے تقاضوں کو اپنایا ہے اور باقاعدہ اس پر عمل کیا ہے۔ اس کی تعمیل کا بیان رپورٹ سے منسلک ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

کوڈ آف کارپوریٹ گورننس کے مطابق ڈائریکٹرز یہ بتاتے ہوئے خوشی محسوس کرتے ہیں کہ:

- i- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- ii- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- iii- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- iv- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔
- v- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- vi- گزشتہ پانچ سال کا کلیدی آپریشننگ اور مالیاتی ڈیٹا منسلک ہے۔
- vii- لسٹ ریگولیشن میں دیئے گئے کارپوریٹ گورننس کے بہترین طریقوں سے کوئی انحراف نہیں کیا گیا۔
- viii- ہم نے ایک ضابطہ اخلاق اور کاروباری حکمت عملی وضع کی ہے اور ڈائریکٹرز اور ملازمین میں تقسیم کیا ہے۔
- ix- کمپنی نے 30 جون 2019 کے لئے کسی ڈیویڈنڈ کا اعلان کیا ہے اور نہ ہی بونس شیئرز جاری کئے ہیں کیونکہ کمپنی کو خسارہ برداشت کرنا پڑا۔
- x- واجب الادا ٹیکسوں اور لیویز کی تفصیل مالیاتی حسابات کے نوٹ میں دی گئی ہے۔

### حصص کنندگان کی تفصیل

عام شیئرز کے لئے 30 جون 2019 کے مطابق حصص کنندگان کی تفصیل منسلک ہے۔

### حساب کی تقریری

اسلم ملک چارٹرڈ اکاؤنٹنٹس لاہور ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے مالی سال 2019-20 کے لئے دوبارہ اپنی تقریری کی کی خواہش ظاہر کی ہے۔ آڈٹ کمیٹی نے ان کو دوبارہ نامزد کرنے کی سفارش کی ہے۔

### بورڈ کی تشکیل

1- حسب ذیل کے مطابق ڈائریکٹرز کی کل تعداد 08 ہے۔

a- مرد: 06      b- خواتین: 02

2۔ بورڈ مندرجہ ذیل پر مشتمل ہے:

01	a۔ ایگزیکٹو ڈائریکٹرز
05	b۔ دیگر نان ایگزیکٹو ڈائریکٹرز
02	c۔ آزاد ڈائریکٹرز

نمبر شمار	نام ڈائریکٹرز	عہدہ	نئی تقرری کی تاریخ
i	خواجہ محمد ندیم	ایگزیکٹو ڈائریکٹر	04-03-2019
ii	عالیہ خانم	چیئر مین	04-03-2019
iii	زرگس سلطانیہ	ڈائریکٹر	04-03-2019
iv	خواجہ شہزاد یونس	ڈائریکٹر	04-03-2019
v	خالد محمود	ڈائریکٹر	04-03-2019
vi	وسیم بیگ	ڈائریکٹر	04-03-2019
vii	شیخ مقبول احمد	خود مختار ڈائریکٹر	04-03-2019
viii	محمد طارق صوفی	خود مختار ڈائریکٹر	04-03-2019

آڈیٹرز نے اپنے جائزہ رپورٹ میں نمایاں بیان کیا ہے کہ: "کمپنی نے ڈائریکٹرز ٹریننگ پروگرام کا انتظام یا SECPR سے ڈائریکٹرز ٹریننگ پروگرام سے استسنا حاصل نہیں کیا ہے۔ چونکہ ڈائریکٹرز کے حالیہ انتخابات 04 مارچ 2019 کو منعقد ہوئے لہذا کمپنی کو ڈ آف کارپوریٹ گورننس کے حوالے سے ایک سال کی مدت کے اندر ڈائریکٹرز ٹریننگ پروگرام کی شرط پر عمل پیرا ہوگی۔

بورڈ کی کمیٹیاں

بورڈ نے مندرجہ ذیل ذیلی کمیٹیاں بنائی ہیں:

آڈٹ کمیٹی کے اجلاس

i۔ محمد طارق صوفی چیئر مین

ii۔ خالد محمود رکن

iii۔ خواجہ شہزاد یونس رکن

انسانی وسائل اور معاوضہ کمیٹی کے اجلاس

i۔ محمد طارق صوفی چیئر مین

ii۔ وسیم بیگ رکن

iii۔ خالد محمود رکن

ڈائریکٹرز کی تنخواہ کے اہم پہلو

بورڈ آف ڈائریکٹرز نے ایگزیکٹو ڈائریکٹرز کی تنخواہ سے متعلق باقاعدہ پالیسی کی اجازت دی ہے جو ان کی کمپنی کے معاملات میں ان کی ذمہ داریوں پر منحصر ہے۔ تنخواہ کی ذمہ داریوں کے مطابق اور ان کی کمپنی کو کامیابی سے چلانے کے لئے ان کی قابلیت کے مطابق تاکہ ان کی جانب سے کمپنی میں مزید بہتری لائی جاسکے۔

اعتراف

کمپنی کے اسٹاف اور ملازمین کی مسلسل وفاداری اور لگن اور سہجے تعلقات تعریف کے مستحق ہیں۔ اس کے علاوہ ڈائریکٹرز، تمام متعلقین کا مسلسل حمایت کی وجہ سے شکریہ ادا کرنے کی خواہش رکھتے ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

عالیہ خانم

چیئر مین

خواجہ محمد ندیم

چیف ایگزیکٹو

تاریخ: 05 نومبر 2019

لاہور



**Statement of Compliance with the Listed Companies  
(Code of Corporate Governance) Regulations, 2017**

Name of Company : Yousaf Weaving Mills Limited  
Year ending : June 30, 2019

Yousaf Weaving Mills Limited (the "Company") has complied with the requirement of the Regulations in the following manner:

1. The total number of directors are 08 as per the following:

- a. Male : 06
- b. Female : 02

2. The composition of the board is as follows:

- a. Executive Directors : 01
- b. Other Non-Executive Directors : 05
- c. Independent Directors : 02

Name	Category
Mr. Khawaja Mohammad Nadeem	Executive Director
Mst. Alia Khanum	Non-Executive Director
Mst. Nargis Sultana	Non-Executive Director
Mr. Khawaja Shahzad Younus	Non-Executive Director
Mr. Khalid Mahmood	Non-Executive Director
Mr. Waseem Baig	Non-Executive Director
Mr. Sheikh Maqbool Ahmed	Independent Director
Mr. Mohammad Tariq Sufi	Independent Director

- 3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.
- 4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 5. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the board/shareholders as empowered by the relevant provisions of the Act and these regulations.
- 7. The meetings of the board were presided over by the Chairman and, in her absence, by a director elected by the board for this purpose. The board complied with requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of the meeting of board.
- 8. The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Executive Director is exempt from Director's Training Program, whereas new directors appointed during the current financial year will duly comply with the requirement of Code of Corporate Governess with respect of Directors' Training Program.
10. No appointment of Company Secretary and Head of Internal Audit has been made during the year. However appointment of new Chief Financial Officer, his remuneration and terms of employments have been duly approved by the board of directors.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The Board has formed committees comprising members given below:
  - I. Audit Committee:
    - i. Mr. Mohammad Tariq Sufi - Chairman
    - ii. Mr. Khalid Mahmood
    - iii. Mr. Khawaja Shahzad Younus
  - II. HR and Remuneration Committee:
    - i. Mr. Mohammad Tariq Sufi - Chairman
    - ii. Mr. Waseem Baig
    - iii. Mr. Khalid Mahmood
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees were as per following:
  - a) Audit Committee: Four Quarterly meetings during the financial year ended June 30, 2019.
  - b) HR & Remuneration Committee: One meeting during the financial year ended June 30, 2019.
15. The board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. The directors shall comply with the provision of Code of Corporate Governess Rules, 2017 in respect of Director Training Program.
19. We confirm that all other requirements of the Regulations have been complied with.

For Yousaf Weaving Mills Limited

Lahore:  
November 05, 2019

Mst. Alia Khanum  
Chairman

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
To the members of Yousaf Weaving Mills Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Yousaf Weaving Mills Limited for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the statement of Compliance.

Paragraph Reference	Description
9	The company has not arranged the directors training program or obtained the exemption from directors training program from the commission as required under clause 20 of the Regulations.

Place: Lahore  
Date: November 05, 2019



*Aslam Malik*  
(Aslam Malik & Co.)  
Chartered Accountants  
Hafiz Muhammad Ahmad

**Other Offices at:**

**Islamabad:** House # 726, Street 34, Margalla Town, off Murree Road, Islamabad.  
Phone : +92-51-2374282-3 Fax: +92-51-2374281

**Karachi:** 1001-1003 10th Floor, Chapal Plaza, Hasrat Mohani Road, Off I.I Chundrigar Road, Karachi  
Tel: + 92-21-32425911-2, Fax: +92-21-32432134

## INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF YOUSAF WEAVING MILLS LIMITED

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the annexed financial statements of Yousaf Weaving Mills Limited (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss account and the statement other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in paragraph (a) & (b) in the Basis for Qualified Opinion section of our report, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### Basis for Qualified Opinion

- Company is in litigation with the banking companies. Due to litigation short term borrowings amounting to Rs.35.75 million could not be verified because we had not received the reply of direct confirmation from the Banking Companies and the Bank facility letters provided to us were also expired. Further, the company had not worked out and provided the amount of mark-up on the said amount of borrowings in these financial statements. Based on available underlying records, response from the legal counsel and non-confirmation of loan balances from banking companies, we were unable to determine with reasonable accuracy the impact on these financial statements of any disagreement with Banks.
- Unclaimed dividend of Rs. 3,247,016 (overdue) of previous years has not been deposited into government treasury nor has any notification been issued to shareholders.

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 qualified opinion.

#### Material Uncertainty relating to Going Concern

We draw attention to Note 1.3 in the financial statements which indicates that the company incurred net loss of Rs. 74.29 million for the year (2018: Rs. 164.98 million), its equity is negative by Rs. 271.78 million for the year (2018: Rs. 197.70 million), its accumulated loss amounting to Rs. 1,375.62 million (2018: 1,301.54million) and its current liabilities exceeds its current assets by Rs. 1,121.95 (2018: Rs 896.21 million). These conditions along with other matters as set

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forth in Note 1.3 indicate the existence of a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion and material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Following are the key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1.	<p><i>Capitalization of property, plant and equipment</i></p> <p><i>Refer note 4.6 and 17 to the accompanying financial statements, the company has incurred significant amount of capital expenditure during the year.</i></p> <p><i>We focused on capitalization of property, plant &amp; equipment during the year as this represents significant transaction for the year and involves certain judgmental areas, such as management's estimate about the useful life of assets, capitalization of elements of eligible components of cost as per the applicable financial reporting standards, therefore, we have identified this as a key audit matter.</i></p>	<p>Our audit procedures included, but were not limited to:</p> <ol style="list-style-type: none"> <li>1. We obtained an understanding of the Company's process with respect to capital expenditure and testing controls relevant to such process.</li> <li>2. We performed substantive procedures through inspection of related documents supporting various components of capitalization of property, plant &amp; equipment.</li> <li>3. We also considered whether the items of cost capitalization meet the recognition criteria of an asset in accordance with the applicable financial reporting standards.</li> <li>4. We reviewed management's estimate about the useful life of assets so capitalized and consequently depreciation rates used by the company.</li> <li>5. We further assessed the adequacy of financial statement disclosures in accordance with the applicable financial reporting framework.</li> </ol>
2.	<p><i>Contingencies</i></p> <p><i>The Company is subject to material litigations involving courts pertaining to banks, which requires management to make assessment and judgements with respect to likelihood and impact of such litigations.</i></p> <p><i>The accounting for, and disclosure of, contingencies is complex and is a matter of most significance in our audit because of the judgements required to determine the level of certainty on these matters.</i></p> <p><i>The details of contingencies along with management's assessment and the related provisions are disclosed in note 16 to the financial statements.</i></p> <p><i>Further, management have engaged independent legal counsel on these matters.</i></p>	<p>Our audit procedures included, but were not limited to:</p> <ol style="list-style-type: none"> <li>1. Discussing legal cases with the legal department to understand the management's view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances;</li> <li>2. Obtaining independent opinion of legal advisor and tax advisor dealing with such cases in the form of direct confirmations;</li> <li>3. We received direct bank confirmation letter from Habib Metropolitan Bank in which bank confirmed short term borrowings and their related mark up and also confirmed litigation cases.</li> <li>4. We obtained copy of degree order passed by Lahore High Court in favour of National Bank of Pakistan.</li> <li>5. We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets; and</li> <li>6. The disclosures of legal exposures and provisions were assessed for completeness and accuracy.</li> </ol>

#### 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 for the year ended June 30, 2019.

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, on other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

#### Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- No zakat is deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Hafiz Muhammad Ahmad.

Place: Lahore  
Date: November 05, 2019



*Hafiz Muhammad Ahmad*  
(Aslam Malik & Co.)  
Chartered Accountants  
Hafiz Muhammad Ahmad

## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>CAPITAL AND LIABILITIES</b>			
Share Capital and Reserves			
Authorized share capital 90,000,000 (2018: 90,000,000) ordinary shares of Rs. 10 each		900,000,000	900,000,000
Issued, subscribed and paid up share capital	6	900,000,000	900,000,000
Accumulated loss		(1,375,617,141)	(1,301,536,986)
Surplus on revaluation of land	7	203,833,327	203,833,327
		(271,783,814)	(197,703,659)
Non Current Liabilities			
Long term loan	8	-	66,101,771
Liabilities against assets subject to finance lease	9	-	592,961
Deferred liability	10	21,491,451	35,008,636
		21,491,451	101,703,368
Current Liabilities			
Trade and other payables	11	433,842,930	331,415,443
Unclaimed dividend		3,247,016	3,247,016
Accrued mark up	12	135,933,540	125,929,168
Short term borrowings	13	584,072,509	547,053,850
Current portion of non current liabilities	14	93,771,269	31,904,603
Provision for taxation	15	55,818,081	39,248,122
		1,306,685,345	1,078,798,202
Contingencies and Commitments	16	-	-
		1,056,392,982	982,797,911
<b>ASSETS</b>			
Non Current Assets			
Property, plant and equipment	17	825,389,867	783,754,312
Intangible assets	18	290,881	363,602
Long term loans	19	8,212,377	8,473,763
Long term deposits	20	37,762,809	7,613,824
		871,655,934	800,205,501
Current Assets			
Stores and spares	21	15,292,701	21,792,372
Stock in trade	22	35,996,754	31,131,849
Short term investment	23	7,500,000	-
Trade debts	24	52,697,603	23,817,291
Loans and advances	25	10,811,885	41,135,949
Trade deposits and other receivables	26	8,618,182	12,408,082
Tax refunds due from government	27	51,473,139	49,845,358
Cash and bank balances	28	2,346,784	2,461,509
		184,737,048	182,592,410
		1,056,392,982	982,797,911

The annexed notes from 1 to 48 form an integral part of these financial statements.

Lahore:  
November 05, 2019

Chief Executive Officer

Director

Chief Financial Officer



STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
	Note	Rupees	Rupees
Sales - net	29	1,325,505,967	1,947,146,969
Cost of sales	30	(1,317,244,437)	(2,002,675,200)
Gross Profit / (Loss)		8,261,530	(55,528,231)
Distribution cost	31	(10,061,703)	(10,992,572)
Administrative expenses	32	(49,733,565)	(47,495,035)
		(59,795,268)	(58,487,607)
Operating Loss		(51,533,738)	(114,015,838)
Other operating charges	33	(1,100,000)	(3,285,776)
Finance cost	34	(11,310,249)	(48,147,695)
Other operating income	35	5,190	-
Loss before Taxation		(63,938,797)	(165,449,309)
Taxation	36	(10,352,536)	468,523
Loss for the Year		(74,291,333)	(164,980,786)
Loss per Share - Basic and Diluted	37	(0.83)	(2.20)

The annexed notes from 1 to 48 form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees	Rupees
Loss for the Year	(74,291,333)	(164,980,786)
Other Comprehensive Income for the Year		
<i>Items that will be reclassified subsequently to profit or loss</i>	-	-
<i>Items that will not be reclassified subsequently to profit or loss</i>		
- Experience adjustment on remeasurement of staff retirement	297,434	(3,568,707)
- Related tax impact	(86,256)	1,034,925
- Revaluation surplus on property, plant and equipment	-	203,833,327
	211,178	201,299,545
Total Comprehensive Income for the Year	<u>(74,080,155)</u>	<u>36,318,759</u>

The annexed notes from 1 to 48 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
	Note	Rupees	Rupees
CASH GENERATED FROM OPERATIONS	38	101,498,691	22,915,837
Finance cost paid		(1,305,877)	(5,769,886)
Gratuity paid		(15,645,376)	(11,072,321)
Income tax paid		(2,421,541)	(8,461,146)
Net cash generated from / (used in) operating activities		82,125,897	(2,387,516)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(84,536,519)	(16,406,640)
Proceeds from disposal of property, plant and equipment		20,000	3,780,125
Proceeds from sale of stores and raw material		-	2,834,966
Long term loans to employees		348,515	1,969,067
Long term deposits		(30,263,210)	(3,238,850)
Net cash used in investing activities		(114,431,214)	(11,061,332)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan repaid		(3,668,219)	(11,604,709)
Repayment of liabilities against assets subject to finance lease		(1,159,847)	(3,050,366)
Short term borrowings - net		37,018,659	29,039,616
Net cash generated from financing activities		32,190,593	14,384,541
Net (decrease) / increase in Cash and Cash Equivalents		(114,725)	935,693
Cash and cash equivalents at the beginning of the year		2,461,509	1,525,816
Cash and Cash Equivalents at the End of the Year		2,346,784	2,461,509

The annexed notes from 1 to 48 form an integral part of these financial statements.

Lahore:  
November 05, 2019

Chief Executive Officer

Director

Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2019

Particulars	Issued, Subscribed and Paid up Share Capital	Accumulated Loss	Convertible Directors Loan	Revaluation Surplus	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2017	400,000,000	(1,134,022,418)	500,000,000	-	(234,022,418)
Shares issued during the year	500,000,000	-	(500,000,000)	-	-
Net loss for the year	-	(164,980,786)	-	-	(164,980,786)
Other comprehensive income	-	(2,533,782)	-	203,833,327	201,299,545
Balance as at June 30, 2018	900,000,000	(1,301,536,986)	-	203,833,327	(197,703,659)
Net loss for the year	-	(74,291,333)	-	-	(74,291,333)
Other comprehensive income	-	211,178	-	-	211,178
Balance as at June 30, 2019	900,000,000	(1,375,617,141)	-	203,833,327	(271,783,814)

The annexed notes from 1 to 48 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1

The Company and its Operations

- 1.1 The Company was incorporated on January 17, 1988 as a public limited company in Pakistan under the Companies Ordinance, 1984 (now the Companies Act, 2017) and is quoted on Pakistan Stock Exchanges. The Company is engaged in the business of textile weaving, spinning and sale of processed fabric.
- 1.2 Corporate office of the Company is located at 7/1, E-3, Main Boulevard Gulberg III, Lahore. While the production plants of the Company are located at 49-Km, Multan Road, Bhai Phero and 7-Km, Multan Road, Pattoki.
- 1.3 During the year Company has incurred loss after tax of Rs. 74.291 million (2018: Rs. 164.981 million) and at year end, its accumulated losses stood at Rs. 1,375.617 million (2018: 1,301.537 million). Its current liabilities exceed its current assets by Rs. 1,121.948 million (2018: Rs. 896.206 million). The Company in order to carry on its business and to meet its current obligation requires generating sufficient cash flows. Further, the banking companies also filed suit against the Company for recovery of outstanding balances and related interest accrued thereon. Accordingly there is a material uncertainty relating to the Company's operation that may cast sufficient doubt on the discharge of its liabilities in the normal course of business. Continuation of the Company as a going concern is dependent on improved cash flows. For this purpose the management of the Company has drawn up plans which include:-

- The management continuously striving to enhance its production capacity especially in it's weaving unit, in connection of which the Company has purchased 46 new looms and air 3 compressors during the current year which will benefit to improve the efficiency and reduce the production cost, as a result these capital expenditures weaving unit of the Company could be able to increase it's sales by 32%, whereas cost of sales is reduced by 11% with respect of previous period, resultantly weaving unit has earned pre tax profit of Rs. 14.087 million during the year. Especially, If we look into the last quarter's performance of weaving unit, it earned a gross profit of Rs. 36.512 million and operating profit of Rs. 16.088 million which is 50% of total gross profit and 61% of total operating profit for the year of weaving segment. The management is confident that this progress pattern will continue during the next periods.
- The Company is planning to revive its export business which will improve profitability and liquidity.
- The Company is negotiating with its bankers for re-structuring of its financial facilities to meet its working capital requirements.

The Company continuously endeavoring to improve financial performance of the Company by adopting following measure:

inducing new clients by offering them quality product as per their requisite specification in best possible competitive rates, availing early payments' discounts as allowed by the supplier if it is marginally feasible and liquidity position permit it, adopting just in time policy for procuring raw material and store items so that we could reduce our investment in stocks and store items along with carrying cost, focusing on quick recovery of outstanding receivables to improve cash flows, squeezing overheads and administration costs pertaining to payroll by providing better training & technical knowledge and rescheduling job responsibilities.

- The directors of the Company are committed to provide their support to stabilize the financial conditions of the Company and to cope-with liquidity crisis which is currently faced by the management.
- Unfortunately spinning unit could not perform well during current year mainly due to exorbitant raw material and energy prices, on the other hand there is a dire need to up-grade existing plant & machinery because we remained unable to obtain target production efficiency therefore management is planning to replace existing machinery with new one.

In view of the above, these financial statements have been prepared on going concern assumption.

## Note 2

## Significant Transactions and Events Affecting the Company's Financial Position and Performance

Summary of significant events and transactions in the current reporting period:

	2019
	Impact in Rupees
Increase in trade and other payables	102,427,487
Accrued markup increased during the year	10,004,372
Increase in short term borrowings	37,018,659
Addition in property, plant and equipment	84,536,519
Increase in long term deposits	30,148,985
Refund bonds issued by the FBR against the sales tax refundable	7,500,000

## Note 3

## Basis of Preparation

## 3.1 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:

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2018 have been followed.

## 3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except to the extent of following:

Certain property, plant and equipment	Note 17	(stated at Revalued / Fair value)
Employee retirement benefits (Gratuity)	Note 10	(stated at Present value)

## 3.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest Rupee, unless otherwise stated.

## 3.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These 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.

These estimates and related assumptions are reviewed on an on-going basis. Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment; provisions for doubtful receivables; provisions for defined benefit plans; slow moving and obsolete inventory; recovery, trade debts and taxation.

## Note 3 - Basis of Preparation ... Contd.

The basis and associated assumptions underlying the accounting estimates used in the preparation of annual financial statement of the Company for the year ended June 30, 2019 have been consistent with previous year except for the provision for doubtful debt for the application of IFRS 9, Financial Instrument and contract liability for the application of IFRS 15.

## 3.5 Changes in Accounting Standards, Interpretations and Pronouncements

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

The following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after July 1, 2018 and are considered to be relevant to the Company's financial statements:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after July 01, 2018). IASB has published the complete version of IFRS 9 which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after July 1, 2018) replaces IAS 18 Revenue, IAS 11 Construction Contracts, and other related interpretations on revenue recognition. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

## 3.5.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following 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 purpose of their applicability in Pakistan. The Company intends to adopt these standards, if applicable, when they become effective.

Standard or Interpretation	Effective Date (Period beginning on or after)
IAS 23 Borrowing costs	January 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019
IFRS 3 Business Combinations - Previously held Interests in a joint operation – (Amendments)	January 01, 2019
IFRS 11 Joint Arrangements - Previously held Interests in a joint operation	January 01, 2019
IFRS 17 Insurance Contracts	January 01, 2021
IAS 19 Employee Benefits [Amendments]	January 01, 2019
IAS 1 and IAS 8 [Amendments]	January 01, 2020
Conceptual Framework in IFRS Standards [Amendments]	January 01, 2020

IFRS 17 outlines the principles governing the recognition, measurement, presentation and disclosure of insurance contracts. The objective of the Standard is to ensure that the reporting entity provides relevant information that faithfully represents those insurance contracts. This information gives users of financial statements better insights into the effects that insurance contracts have on an entity's net assets, financial position, results of operations and cash flows.

Amendments to IAS 19 specify the basis for determining the current service cost and the net interest expense / income for the period between a defined benefit retirement plan amendment, curtailment or settlement and the end of the reporting period.

## Note 3 - Basis of Preparation ... Contd.

The IASB has published a revised Conceptual Framework for Financial Reporting that will be used to develop new Standards and Interpretations in future. In particular, the definitions of assets and liabilities as well as the guidance on measurement and derecognition, presentation and disclosure were amended. This has not resulted in any technical amendments to current Standards to date. The amendments merely update the references to the Conceptual Framework in existing Standards. The Conceptual Framework itself is not subject of the endorsement procedure.

Amendments to IAS 1 & IAS 8 clarify the definition of "material". Besides additional explanations, the definition of "material" in the Conceptual Framework as well as all Standards was aligned with the central definition in IAS 1.

The Company expects that such improvement to the standard will not have any material impact on the company's financial statements in the period of initial application, except for IAS 19.

The following standards and amendments to published accounting standards were not effective during the year and have not been early adopted by the Company. The Company intends to adopt these standards, if applicable, when they become effective.

	Effective date [annual periods beginning on or after]
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019
IFRS 9 Financial Instruments [Amendments]	January 01, 2019
IAS 28 Investments in Associates and Joint Ventures	January 01, 2019
IFRS 16 Leases	January 01, 2019

IFRIC 23 clarifies the requirements for measuring and recognizing uncertain income tax items. The interpretation must be applied to the determination of taxable profit / loss, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12.

Amendment to IFRS 9 clarifies how certain financial instruments with prepayment features with negative compensation are classified.

Amendment to IAS 28 clarifies that IFRS 9 must be applied to long-term interests that, in substance, form part of the net investment in an associate or joint venture to which the equity method is applied.

IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) is introduced during the year that aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all the 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 the lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company expects that such improvement to the standards will not have any material impact on the Company's financial statements.

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2017, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in these financial statements.



Note 4  
Significant Accounting Policies

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The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented except for the application of IFRS 15 revenue from contracts with customers (Note 4.12) and IFRS 9 'Financial Instruments' (Note 4.13) adopted with effect from July 01, 2018. The effect of adoption of these new standards has been detailed in Note 5.

4.1 Employee retirement benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the schemes on the basis of actuarial valuation and are charged to profit and loss account for the year. The assumptions are determined by independent actuary.

The amount recognized in the statement of financial position represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains/ losses arising from the actuarial valuation are recognized immediately and are presented in other comprehensive income. The latest actuarial valuation was carried as at June 30, 2019.

4.2 Compensated absences

The Company provides for compensated absences of its employees on un-availed balance of leaves in the period in which the leaves are earned.

4.3 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.4 Trade and other payables

Liabilities for trade and other payables are carried at their fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

4.5 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Charge for the current taxation for the year is based on taxable income at the current rates of taxation after taking into account tax rebates and credits available, if any.

Deferred

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

Carrying amount of all deferred tax assets is reviewed at each statement of financial position date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits would be available to allow all or part of deferred tax assets to be utilized. Tax rates enacted at the statement of financial position date are used to determine deferred income tax.

Note 4 - Significant Accounting Policies ... Contd.

#### 4.6 Property, plant and equipment

##### Owned

Property, plant and equipment except freehold land is stated at cost less accumulated depreciation and identified impairment losses. Freehold land is stated at revalued amount. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets into working condition.

Depreciation is charged to income on reducing balance method at the rates specified in Note 17. Full month's depreciation is charged on additions during the month, whereas no depreciation is charged on the assets disposed off during the month. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year income.

##### Leased

The Company accounts for assets acquired under finance lease by recording assets and related liabilities. Principal values are determined on the basis of discounted values of total minimum lease payments to be paid by the Company. Finance costs are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on outstanding liabilities. Depreciation is charged on the same basis as owned assets at the rates specified in Note 17 to write off the cost of assets over their estimated useful life.

Capital work-in-progress is stated at cost less any identified impairment loss.

#### 4.7 Intangible asset

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably. Cost of intangible assets i.e. ERP and other software include purchase cost and directly attributable expenses incidental to bring the software for its intended use.

Cost that are directly associated with identifiable software and have probable economic benefits beyond one year, are recognized as an intangible assets. However, costs associated with the maintenance of software are recognized as an expense.

Intangibles are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income using reducing balance as specified in Note 18. The amortization period and the amortization method for an intangible asset are reviewed, at each financial year end, and adjusted if impact on amortization is significant.

#### 4.8 Stores and spares

These are valued at lower of moving average cost and net realizable value whilst items considered obsolete are carried at nil value. Cost of items in transit comprises invoice value plus incidental charges paid thereon.

#### 4.9 Stock in trade

These have been valued at the lower of cost and net realizable value. Cost has been determined as follows:

Raw and packing materials	-	Moving average cost
Materials in transit	-	Cost and incidental charges paid thereon
Work in process	-	Average manufacturing cost
Finished goods	-	Average manufacturing cost
Waste	-	Net realizable value

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labour and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less necessary cost to make the sale.

Note 4 - Significant Accounting Policies ... Contd.

#### 4.10 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful debts and receivables based on review of outstanding amounts at the period end. Balances considered bad and irrecoverable are written off when identified.

#### 4.11 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash at banks in current and saving accounts.

#### 4.12 Revenue recognition

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers. Any bundled goods or services that are distinct are separately recognized, and any discounts or rebates on the contract price are generally allocated to the separate elements.

Revenue is to be recognized in accordance with the aforementioned principle by applying the following steps:

- i) Identify the contract with a customer.
- ii) Identify the performance obligation in the contract.
- iii) Determine the transaction price of the contract.
- iv) Allocate the transaction price to each of the separate performance obligations in the contract.
- v) Recognize the revenue when (or as) the entity satisfies a performance obligation.

#### 4.13 Financial instruments

##### 4.13.1 Financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

##### 4.13.1.1 Classification

The Company classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

##### a) Financial assets at amortized cost

A financial asset is measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### b) Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Note 4 - Significant Accounting Policies ... Contd.

c) Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, the Company can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income unless these are held for trading in which case these have to be measured at fair value through profit or loss. The equity investments of the Company held in short term investments are classified at fair value through profit or loss because they are frequently traded.

Reclassification

When the Company changes its business model for managing financial assets, it reclassifies all affected financial assets accordingly. The Company applies the reclassification prospectively from the reclassification date.

In case of reclassification out of the amortized cost measurement category to fair value through profit or loss measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in profit or loss.

In case of reclassification out of fair value through profit or loss measurement category to the amortized cost measurement category, fair value of the financial asset at the reclassification date becomes its new gross carrying amount.

In case of reclassification out of the amortized cost measurement category to fair value through other comprehensive income measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of fair value through other comprehensive income measurement category to the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of fair value through profit or loss measurement category to the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

In case of reclassification out of fair value through other comprehensive income measurement category to the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

4.13.1.2 Initial recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date - the date on which the Company commits to purchase or sell the asset.

Except for trade receivables, financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account when the Company's right to receive payments is established. Trade receivables are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15. Where the Company uses settlement date accounting for an asset that is subsequently measured at amortized cost, the asset is recognized initially at its fair value on the trade debt.

Note 4 - Significant Accounting Policies ... Contd.

#### 4.13.1.3 Subsequent measurement

For the purpose of measuring financial assets after initial recognition, these are classified into the following categories:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

Financial assets carried at amortized cost are subsequently measured using the effective interest method. Gain or loss on financial assets not part of hedging relationship is recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss.

Financial assets 'at fair value through other comprehensive income' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income. Interest calculated using the effective interest rate method is credited to the statement of profit or loss. Dividends on equity instruments are credited to the statement of profit or loss when the Company's right to receive payments is established.

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

Fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

#### 4.13.1.4 Derecognition

Financial assets are derecognized when:

- the contractual rights to receive cash flows from the assets 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.

The difference between the carrying amount and the consideration received is recognized in profit or loss.

If the Company transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract.

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 which cannot be offset with the related asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

## Note 4 - Significant Accounting Policies ... Contd.

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.

If the Company's continuing involvement is in only a part of a financial asset, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the consideration received for the part no longer recognized is recognized in profit or loss.

#### 4.13.1.5 Impairment of financial assets

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Company recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost and through other comprehensive income, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract. In case of financial assets measured at fair value through other comprehensive income, loss allowance is recognized in other comprehensive income and carrying amount of the financial asset in the statement of financial position is not reduced.

The Company measures, at each reporting date, the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Where the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions under IFRS 15 and lease receivables.

The Company recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in the profit or loss.

#### 4.13.2 Financial liabilities

##### 4.13.2.1 Initial recognition 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 are classified, at initial recognition, as financial liabilities at amortized cost except for financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and contingent consideration recognized in a business combination.

The Company does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in the profit and loss account.

The Company's financial liabilities include trade and other payables, loans and borrowings including Company overdrafts, financial guarantee contracts and derivative financial instruments.

##### 4.13.2.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

## Note 4 - Significant Accounting Policies ... Contd.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The amount of change in the fair value that is attributable to changes in the credit risk of financial liability is presented in other comprehensive income and the remaining amount of change in the fair value of the liability is presented in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if it eliminates or significantly reduces a measurement or recognition inconsistency or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel. The Company has not designated any financial liability as at fair value through profit or loss.

Financial guarantee contracts and commitments to provide a loan at a below-market interest rate

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts and commitments to provide a loan at a below-market interest rate are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Contingent consideration recognized in a business combination

These are subsequently measured at fair value with changes recognized in profit or loss.

All other liabilities

All other financial liabilities are measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

#### 4.13.2.3 Derecognition

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 or 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 and loss account. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

If the Company repurchases a part of a financial liability, the Company allocates the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized is recognized in profit or loss.

#### 4.14 Off-setting of financial assets and financial liabilities

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

## Note 4 - Significant Accounting Policies ... Contd.

## 4.15 Impairment

Carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value, the recoverable amount is determined to be the value in use. Impairment losses are recognized as expense in the statement of profit or loss.

## 4.16 Borrowing cost

Borrowing cost are charged to income as and when incurred except costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

## 4.17 Foreign currency transactions

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the statement of financial position date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in profit and loss account.

## 4.18 Related party transactions

Related parties from the Company's perspective comprise, associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plan. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out on permissible basis and agreed terms.

## 4.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Chief Executive Officer of the Company).

## 4.20 Dividend

Dividends are recognized as a liability in the period in which these are approved.

## 4.21 Fair value measurement

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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is credited or charged to the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.



## Note 5

## Change in Accounting Policy

The Company has adopted IFRS 9 'Financial Instruments' during the year that has replaced IFRIC 9 - Reassessment of Embedded Derivatives, IAS 39 - Financial Instruments: Recognition and Measurement, IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). IFRS 9 shall now govern the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The Company has also adopted IFRS 15 (Revenue from contract) with customers which has replaced IAS 18 which covers revenue for goods and services, IAS 11 which covers construction contracts, SIC 31 - Revenue - Barter transaction involving advertising services, IFRIC 15 - Agreements for the construction of real estate and IFRIC 18 - Transfer of assets from customers. The Company has adopted both the standards with effect from July 01, 2018, any change in presentation or classification of items has been accounted for in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Below are the details of key impacts arising from the adoption of IFRS 15:

## Statement of financial position

In statement of financial position, the corresponding figure of advances from customers amounting to Rs. 10,024,389 has been reclassified to contract liabilities. Contract liabilities are recognized in respect of Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from a customer. Amounts as at June 30, 2018 have also been reclassified as follows for the purpose of comparability:

Description	As at June 30, 2018		
	Carrying Amount as stated	Reclassification	IFRS 15 Carrying Amount
	-----Rupees-----		
Advances from customers	10,024,389	(10,024,389)	-
Contract liabilities	-	10,024,389	10,024,389
	<u>10,024,389</u>	<u>-</u>	<u>10,024,389</u>

Description	As at June 30, 2019		
	Carrying Amount as stated	Reclassification	IFRS 15 Carrying Amount
	-----Rupees-----		
Advances from customers	50,640,519	(50,640,519)	-
Contract liabilities	-	50,640,519	50,640,519
	<u>50,640,519</u>	<u>-</u>	<u>50,640,519</u>

The application of IFRS 15 did not have a material impact on amounts in the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows as the current methodology for revenue recognition adequately reflects timing of satisfaction of performance obligations under requirements of the new standard.

The application of IFRS 9 has no material impact on the Company's financial statements and no restatement was required in this regard except for the following reclassifications.

Financial Assets - 2018	Classification		Carring Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
	-----Rupees-----			
Trade debts			23,817,291	23,817,291
Trade deposits and other receivables	Loans and Receivables	Amortized Cost	12,408,082	12,408,082
Short term loans to employees			2,824,589	2,824,589
Cash and bank balances			2,461,509	2,461,509

## Note 6

## Issued, Subscribed and Paid Up Capital

2019	2018		2019	2018
No. of Shares			Rupees	Rupees
90,000,000	90,000,000	Ordinary shares of Rs. 10 each fully paid in cash	900,000,000	900,000,000
<u>90,000,000</u>	<u>90,000,000</u>		<u>900,000,000</u>	<u>900,000,000</u>

## 6.1 Reconciliation of the number of shares outstanding as at the beginning and at the end of the year is as under:

Opening balance	90,000,000	40,000,000
Issued during the year	-	50,000,000
Closing balance	<u>90,000,000</u>	<u>90,000,000</u>

## 6.2 During the last year shares were issued to the following sponsor directors:

Khawaja Mohammad Jawed	-	14,000,000
Khawaja Mohammad Kaleem	-	15,000,000
Khawaja Mohammad Nadeem	-	11,500,000
Khawaja Mohammad Naveed	-	9,500,000
	<u>-</u>	<u>50,000,000</u>

## Note 7

## Surplus on revaluation of property, plant &amp; equipment

Latest revaluation of freehold land has been carried out as at June 30, 2018 by M/s. K.G. Traders (Private) Limited on the basis of their professional assessment of present market value, based on enquiries made about the cost of land of similar nature, size and location.

## Note 8

## Long Term Loan

	Note	2019	2018
		Rupees	Rupees
Banking companies - Secured			
LTFE (EOP)	8.1	-	2,775,000
Demand Finance	8.2	<u>93,176,953</u>	<u>94,070,172</u>
		93,176,953	96,845,172
Less: Current and overdue portion shown under current liabilities	14	<u>(93,176,953)</u>	<u>(30,743,401)</u>
		<u>-</u>	<u>66,101,771</u>

8.1 This represents the term finance facility availed from Habib Metropolitan Bank under LTFE - EOP scheme of State Bank of Pakistan (SBP) for the purchase of plant and machinery. These are repayable in equal quarterly installments and carry mark-up 10.40% (2018: 10.40%) per annum for SBP schemes. The loans are secured against exclusive charge over textile machinery, hypothecation of stocks of weaving unit of the Company, export letters of credit and personal guarantees of directors of the Company.

8.2 This represents previous outstanding demand finance of Rs. 62.350 million and utilized facility of cash finance of Rs. 35.000 million (utilize) to meet the working capital requirements of the company obtained from the Bank of Punjab. The total demand finance facility is repayable in 81 equal monthly installment with 3 months grace period and carries markup at 3 Months KIBOR plus 200 bps. The facility is secured against exclusive charge over sponsor's residential and agricultural property, ranking charge over fixed and current assets of the Company and personal guarantees of directors of the Company.

## Note 9

## Liabilities Against Assets Subject To Finance Lease

	Note	2019 Rupees	2018 Rupees
Future minimum lease payments		595,325	1,803,666
Less: Un-amortized finance charges		(1,009)	(49,503)
Present value of future minimum lease payments		594,316	1,754,163
Less: Current portion shown under current liabilities	14	(594,316)	(1,161,202)
		<u>-</u>	<u>592,961</u>

9.1 This represents finance lease arrangements entered into with banks to acquire vehicles. Financing rates ranging from 10.21% to 14.80% (2018: 10.15% to 12.22%) per annum, approximately, have been used as discounting factor. Taxes, repairs, replacement and insurance costs are borne by the Company.

9.2 Lease liabilities are secured against title of leased assets, personal guarantees of directors and security deposits amounting to Rs. 0.467 million (2018: Rs. 0.820 million).

9.3 Minimum lease payments and their present value are regroup as under:

	2019		2018	
	Not later than one year	Later than one year and not later than one year	Not later than one year	Later than one year and not later than one year
	-----Rupees-----			
Future minimum lease payments	467,475	-	1,209,954	593,712
Less: Un-amortized finance charge	126,841	-	(48,752)	(751)
Present value of minimum lease payments	<u>594,316</u>	<u>-</u>	<u>1,161,202</u>	<u>592,961</u>

## Note 10

## Deferred Liability

	Note	2019 Rupees	2018 Rupees
Gratuity payable	10.1	21,491,451	28,877,469
Deferred tax - net	10.2	-	6,131,167
		<u>21,491,451</u>	<u>35,008,636</u>
10.1 Gratuity payable			
10.1.1 Net liability recognized in the statement of financial position			
Present value of defined benefit obligations		<u>21,491,451</u>	<u>28,877,469</u>
10.1.2 Movement in the net liability recognized in the statement of financial position			
Net liability as at 1st July		28,877,469	28,301,326
Expense recognized in the income statement		8,854,226	8,079,757
Benefits paid during the year		(15,942,810)	(11,072,321)
Remeasurement changes chargeable to other comprehensive income		(297,434)	3,568,707
Net liability as at 30th June		<u>21,491,451</u>	<u>28,877,469</u>

Note 10 - Deferred Liabilities ... Contd.

	Note	2019 Rupees	2018 Rupees
10.1.3 Movement in the present value of defined benefit obligation is as follows:			
Present value of defined benefit obligation as at 1st July		28,877,469	28,301,326
Current service cost		6,972,680	6,315,457
Interest cost		1,881,546	1,764,300
Benefit paid		(15,942,810)	(11,072,321)
Remeasurement of obligation		(297,434)	3,568,707
Present value of defined benefit obligation as at 30th June		<u>21,491,451</u>	<u>28,877,469</u>
10.1.4 Amount charge to profit and loss account			
Current service cost		6,972,680	6,315,457
Interest cost		1,881,546	1,764,300
		<u>8,854,226</u>	<u>8,079,757</u>
10.1.5 Allocation of charge for the year			
Cost of sales	30	5,927,292	6,831,904
Administrative expenses	32	2,163,334	1,247,853
		<u>8,090,626</u>	<u>8,079,757</u>
10.1.6 Amount recognized in other comprehensive income are:			
Actuarial (gain) / loss due to experience adjustments		<u>(297,434)</u>	<u>3,568,707</u>
10.1.7 Key actuarial assumptions used:			

The company operates a defined benefit plan which comprises an unfunded gratuity scheme for its permanent employees. The scheme defined the amounts of the benefit that an employee will receive on or after retirement subject to minimum qualifying period of service under the scheme. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out on June 30, 2019 using Projected Unit Credit method by an approved actuary.

	2019	2018
Discount rate	12.50%	9.00%
Expected rate of salary increase	11.50%	8.00%
Retirement age	60 Years	60 Years

10.1.8 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation to changes in the weighted principle assumption is:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+ - by 100 bps	19,996,035	23,207,683
Salary increase	+ - by 100 bps	23,207,683	19,970,774

Note 10 - Deferred Liabilities ... Contd.

10.2 Deferred tax liability - Net

	Balance as at June 30, 2018	Charge / (Reversal) during the year		Balance as at June 30, 2019
		Profit & Loss A/C	SOCI	
Taxable temporary differences				
- Accelerated tax depreciation	131,875,270	2,702,831	-	134,578,101
Deducted temporary differences				
- Unused tax losses	(116,780,751)	(11,713,053)	-	(128,493,804)
- Staff retirement benefits and others	(8,963,352)	2,792,799	86,256	(6,084,297)
	(125,744,103)	(8,920,254)	86,256	(134,578,101)
	<u>6,131,167</u>	<u>(6,217,423)</u>	<u>86,256</u>	<u>-</u>

10.2.1 Deferred tax asset amounting to Rs. 33.394 million arising due to brought forward losses amounting to Rs. 115.153 million has not been recognized in the current year, as the attributable temporary differences are not expected to reverse in the foreseeable future.

Note 11

Trade and Other Payables

	Note	2019 Rupees	2018 Rupees
Creditors - Unsecured	11.1	281,561,227	253,454,004
Contract liabilities		50,640,519	10,024,389
Accrued liabilities	11.3	94,183,856	61,267,495
Withholding tax payable		1,927,437	1,273,688
Other liabilities		5,529,891	5,395,867
		<u>433,842,930</u>	<u>331,415,443</u>

11.1 This includes amount due to following related parties as follows:

	2019 Rupees	2018 Rupees
Chakwal Spinning Mills Limited	7,248,167	7,103,508
Kohinoor Spinning Mills Limited	21,931,392	19,731,392
	<u>29,179,559</u>	<u>26,834,900</u>

11.2 The maximum aggregate amount due to these related parties at the end of any month during the year was Rs. 29.179 million.

11.3 This mainly includes salaries & wages payable and utility bills payable as at reporting date.

Note 12  
Accrued Mark up

	Note	2019 Rupees	2018 Rupees
Long term loan		20,997,073	10,961,125
Short term borrowings	12.1	<u>114,936,467</u>	<u>114,968,043</u>
		<u>135,933,540</u>	<u>125,929,168</u>

12.1 The principal amount of the short term borrowings is Rs. 392.204 million which is under litigation, the cost of funds is to be determined by Banking Court, at the current reporting date therefore no mark-up is charged for the year on the said borrowings. However the mark-up on borrowing facility availed from the Bank of Punjab under long term loan is properly accounted for in the financial statements.

Note 13  
Short Term Borrowings

	Note	2019 Rupees	2018 Rupees
Banking companies - Secured			
- Running finance / packing credit / cash finance	13.1	392,204,387	371,153,945
Related parties - Unsecured			
- Loan from directors	13.2	191,630,686	169,658,386
Others			
- Unpresented cheques	13.3	237,436	6,241,519
		<u>584,072,509</u>	<u>547,053,850</u>

13.1 Terms and conditions of borrowings

- Purpose  
These facilities have been obtained with sanctioned limit of Rs. 906.568 million (2018: 906.568 million) for working capital requirements, procure stock of cotton, retirement of import bills, local and foreign LCs, discounting local bills/receivables and loan against trust receipts etc.
- Mark up  
The mark up rate on various limits is 3-month Kibor plus a spread of 2% to 3.5% (2018: 3-month Kibor plus 2% to 3.5%) per annum, payable quarterly. Further, some limits carry commission against local LCs at 0.20% to 0.25% (2018: 0.20% to 0.25%) per quarter.
- Securities  
These facilities are secured against pledge of raw material stocks, registered hypothecation charge over fabrics and yarn stocks, imports documents, irrevocable L/Cs and export bills, charges over fixed and current assets of the Company and personal guarantees of sponsoring directors of the Company.

13.2 This represents interest free funds obtained from directors to meet working capital requirements of the Company.

13.3 This represents cheques issued but not presented on the statement of financial position date. These cheques will be honoured subsequent to the statement of financial position date.

## Note 14

## Current and Overdue Portion of Non Current Liabilities

	Note	2019 Rupees	2018 Rupees
Long term loans	8	93,176,953	30,743,401
Liabilities against assets subject to finance lease	9	594,316	1,161,202
		<u>93,771,269</u>	<u>31,904,603</u>

14.1 Long term loan has been classified as current liability due to Company's inability to pay loan's installments as per agreed schedule of the bank.

## Note 15

## Provision for Taxation

	2019 Rupees	2018 Rupees
Opening balance	39,248,122	14,872,704
Add: Charge for the current year	16,569,959	24,375,418
	55,818,081	39,248,122
Less: Payment / adjustments against advance tax	-	-
	<u>55,818,081</u>	<u>39,248,122</u>

15.1 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available. The comparison of estimated provision for taxation and actual tax assessed as per income tax return filed for previous years can be analyzed as follows:

	2016 Rupees	2017 Rupees	2018 Rupees
Provision for Taxation	13,102,727	14,872,704	24,375,418
Tax assessed	-	-	-

## Note 16

## Contingencies and Commitments

## Contingencies

- 16.1 National Bank of Pakistan Limited filed a suit against the Company and Others before the Lahore High Court vide COS No.96/2016, wherein the bank demanded repayment of Rs. 112.654 million inclusive of principal and mark up. In this suit an interim decree for an amount of Rs. 77.467 million against cash finance facilities and mark-up accrued thereon up to December 31, 2014, was passed on January 21, 2019, execution whereof is also pending vide Ex.App. No.9787/2019. The Court has ordered that mark-up beyond December 31, 2014 is declined and un-claimable. The Company has also filed an appeal vide RFA No.19723/2019 against said interim decree, which is also pending. For remaining claim of the bank in respect of outstanding inland LC facility amounting to Rs. 18.868 million, leave to defend has been granted.
- 16.2 The Company filed a suit against National Bank of Pakistan Limited, before the Lahore High Court vide COS No.14450/2018, wherein along with other prayers recovery of Rs. 409.662 million has also been claimed. This suit is still pending adjudication. There is no scope of any loss to the Company in the instant matter.
- 16.3 Habib Metropolitan Bank Limited filed a suit against the Company and Others before the Lahore High Court vide COS No.173949/2018, wherein the Bank demanded recovery of Rs. 313.500 million inclusive of principal and mark up. This suit is still pending adjudication. The amount involved in this case is the same as claimed by the Bank. This case is being vigorously and diligently contested by the Company and there are good chances of a favorable result in this case.
- 16.4 The Company filed a suit against Habib Metropolitan Bank Limited, before the Lahore High Court vide COS No.219124/2018, wherein along with other prayers recovery of Rs. 578.318 million has been claimed. This suit is still pending adjudication. There is no scope of any loss to the Company in the instant matter.

## Note 16 - Contingencies and Commitments ... Contd.

- 16.5 Habib Metropolitan Bank Limited has filed a criminal compliant against the management before the Banking Court # 5, Lahore in respect of routine financial matters, having no effect to any fiscal affairs of the Company. The Company is vigilantly defending this compliant and there are good chances of a favorable result in this case.
- 16.6 The Company filed a suit against National Bank of Pakistan Limited, before the Lahore High Court vide COS No.220363/2018, challenging Bank's alleged claim based upon the LC's facilities sanctioned about 8 years back. This claim of Bank is time barred and is still pending adjudication. Company is expecting that case will be decided in favor of the Company.
- 16.7 The National Bank of Pakistan has lodged a time barred claim based upon the LC's facilities sanctioned about 7/8 years back. The NAB has also taken up this matter, this act of the Bank and NAB has been challenged in a writ petition no.220613/2018 before the Lahore High Court. This writ petition was allowed by the full Bench of Lahore High Court on December 24, 2018, against said judgment NAB has filed a civil petition before Supreme Court of Pakistan vide CPLA No.1406/2019, which is pending adjudicating. The Company's management deems that there are good chance of a favorable result in this case.
- 16.8 Income tax liability amounting to Rs. 33.071 (2018: Rs. 33.071 million) upto the assessment year 2002-2003 under Section 62 of the Income Tax Ordinance 2001 was determined by the Income Tax Department. Pending the outcome of appeals filed by the Company, no provision has been made in these financial statements as the management views that the outcome of the appeals shall be in the favour of the Company.
- 16.9 Appeals have been filed before the Honorable Appellate Tribunal Inland Revenue, Lahore Bench against the orders of CIR(Appeal-I), Lahore passed dated January 06, 2013, September 17, 2012 and June 02, 2014 for tax year 2006, 2009, 2010 & 2011 respectively. All these are pending adjudication and management is hopeful for positive outcome.
- 16.10 Federal Board of Revenue has filed appeal before Honorable Appellate Tribunal Inland Revenue, Lahore Bench on March 01, 2019 against the order passed by CIR(Appeal-I), Lahore for tax year 2011 in favour of the Company, however no decision has been taken ATIR as at reporting date.
- 16.11 Appeal has been filed before the Honorable Appellate Tribunal Inland Revenue, Lahore Bench on March 18, 2019 against the order passed by CIR(Appeal-I), Lahore under section 182 of Income Tax Ordinance 2001 for the tax year 2014, the appeal is pending adjudication.
- 16.12 Sales tax appeal has been filed before the Honorable Appellate Tribunal Inland Revenue, Lahore Bench against the order passed by CIR(Appeal-I), Lahore for the tax year 2016, the appeal is pending adjudication and management expects a favorable outcome against this case.

## Commitments

There are no commitments as at reporting date.

## Guarantees

- The Company has given Counter-guarantees for guarantees issued by bank on behalf of the Company outstanding as at the statement of financial position date are as under:

	2019	2018
	Rs. (million)	Rs. (million)
Sui Northern Gas Pipelines Limited	-	24.150



Note 17  
Property, Plant and Equipment

Description	2019						2018	
	Land Freehold	Factory & Colony Building on Freehold Land	Plant & Machinery	Tools & Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Operating fixed assets								
17.1 Operating fixed assets								
17.1.1 Owned assets								
Cost								
Balance as at July 01, 2018	215,570,000	181,663,215	1,302,899,469	5,345,946	17,527,946	6,831,464	6,298,286	1,736,136,326
Additions	-	-	84,536,519	-	-	-	-	84,536,519
Deletions	-	-	-	-	-	-	(74,330)	(74,330)
Transfer	-	-	-	-	-	-	5,159,600	5,159,600
Balance as at June 30, 2019	215,570,000	181,663,215	1,387,435,988	5,345,946	17,527,946	6,831,464	11,383,556	1,825,758,115
Accumulated Depreciation								
Balance as at July 01, 2018	-	140,431,495	784,575,025	4,427,898	15,890,895	4,932,251	5,416,679	955,674,243
Charge for the year	-	2,061,586	39,382,987	91,803	327,414	189,933	556,073	42,609,796
Deletions	-	-	-	-	-	-	(59,520)	(59,520)
Transfer	-	-	-	-	-	-	3,249,163	3,249,163
Balance as at June 30, 2019	-	142,493,081	823,958,012	4,519,701	16,218,309	5,122,184	9,162,395	1,001,473,682
Written Down Value as at June 30, 2019	215,570,000	39,170,134	563,477,976	826,245	1,309,637	1,709,280	2,221,161	824,284,433
17.1.2 Leased assets								
Cost								
Balance as at July 01, 2018	-	-	-	-	-	-	8,473,444	8,473,444
Addition	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	(5,159,600)	(5,159,600)
Balance as at June 30, 2019	-	-	-	-	-	-	3,313,844	3,313,844

Note 17 - Property, Plant and Equipment ... Contd.

Description	2019						Total
	Land Freehold	Factory & Colony Building on Freehold Land	Plant & Machinery	Tools & Equipment	Office Equipment	Furniture and Fixtures	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>17.2.1 Owned assets</b>							
<b>Accumulated Depreciation</b>							
Balance as at July 01, 2018	-	-	-	-	-	-	5,181,215
Charge for the year	-	-	-	-	-	-	276,358
Transfer	-	-	-	-	-	-	(3,249,163)
Balance as at June 30, 2019	-	-	-	-	-	-	2,208,410
Written Down Value as at June 30, 2019	-	-	-	-	-	-	1,105,434
<b>Total Written Down Value June 30, 2019</b>	<b>215,570,000</b>	<b>39,170,134</b>	<b>563,477,976</b>	<b>826,245</b>	<b>1,309,637</b>	<b>1,709,280</b>	<b>825,389,867</b>
<b>17.1.3 Depreciation rates</b>	-	5%	7%	10%	20%	10%	20%
<b>17.2 Operating fixed assets</b>							
Description	2018						Total
	Land Freehold	Factory & Colony Building on Freehold Land	Plant & Machinery	Tools & Equipment	Office Equipment	Furniture and Fixtures	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>17.2.1 Owned assets</b>							
<b>Cost</b>							
Balance as at July 01, 2017	11,736,673	181,663,215	1,292,608,980	6,004,246	17,527,946	6,573,964	1,521,215,130
Additions	-	-	16,038,000	-	-	257,500	16,406,640
Revaluation adjustment	203,833,327	-	-	-	-	-	203,833,327
Deletions	-	-	(5,747,511)	(658,300)	-	-	(10,974,409)
Transfers	-	-	-	-	-	-	5,655,638
Balance as at June 30, 2018	215,570,000	181,663,215	1,302,899,469	5,345,946	17,527,946	6,831,464	1,736,136,326
<b>Accumulated Depreciation</b>							
Balance as at July 01, 2017	-	138,261,404	749,423,426	4,808,156	15,481,632	4,741,970	916,932,830
Charge for the year	-	2,170,091	38,421,939	107,876	409,263	190,281	41,763,396
Deletions	(488,134)	-	(3,270,340)	(488,134)	-	-	(7,242,646)
Transfers	-	-	-	-	-	-	4,220,663
Balance as at June 30, 2018	-	140,431,495	784,575,025	4,427,898	15,890,895	4,932,251	955,674,243
Written Down Value as at June 30, 2018	215,570,000	41,231,720	518,324,444	918,048	1,637,051	1,899,213	780,462,083

Note 17 - Property, Plant and Equipment ... Contd.

Description	2018							Total
	Land Freehold	Factory & Colony Building on Freehold Land	Plant & Machinery	Tools & Equipment	Office Equipment	Furniture and Fixtures	Vehicles	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>17.2.2 Leased assets</b>								
<b>Cost</b>								
Balance as at July 01, 2017	-	-	-	-	-	-	14,129,082	14,129,082
Additions	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	(5,655,638)	(5,655,638)
Balance as at June 30, 2018	-	-	-	-	-	-	8,473,444	8,473,444
<b>Accumulated Depreciation</b>								
Balance as at July 01, 2017	-	-	-	-	-	-	7,702,565	7,702,565
Charge for the year	-	-	-	-	-	-	962,822	962,822
Transfers	-	-	-	-	-	-	(3,484,172)	(3,484,172)
Balance as at June 30, 2018	-	-	-	-	-	-	5,181,215	5,181,215
<b>Written Down Value as at June 30, 2018</b>								
	-	-	-	-	-	-	3,292,229	3,292,229
<b>Total Written Down Value as at June 30, 2018</b>								
	215,570,000	41,231,720	518,324,444	918,048	1,637,051	1,899,213	4,173,836	783,754,312
<b>17.2.3 Depreciation rates</b>								
	-	5%	7%	10%	20%	10%	20%	20%

Note 17 - Property, Plant and Equipment ... Contd.

17.3 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location / Address	Usage of immovable property	Total Area (In Kanal)	Covered Area (In sq. ft.)
49-Km, Multan Road, Bhai Phero	Production unit	106.8	194,000
7-Km, Multan Road, Pattoki	Production unit	118.3	139,313

17.4 Allocation of depreciation charge

Depreciation charge for the year has been apportioned as follows:

	Note	2019 Rupees	2018 Rupees
Cost of sales	31	41,536,376	40,699,906
Administrative expenses	33	1,349,778	2,026,312
		<u>42,886,154</u>	<u>42,726,218</u>

17.5 As per the valuation report of independent valuer as of June 30, 2018, the forced sales value of freehold land is Rs. 194.013 million. The management believes that these values approximate to the values as on June 30, 2019.

17.6 Had there been no revaluation, the cost of revalued asset would have been amounting to Rs. 11.737 million as at reporting date.

17.7 Disposal of Property, plant and equipment

There has been no disposal during the year whose net book value exceeds Rs. 0.5 million whereas detail of property, plant and equipment disposed off during the last year is as follows:

2018							
Particulars	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain / (Loss) on Disposal	Buyer Name	Mode of Disposal

*Plant & Machinery*

Plant & Machinery	5,747,511	3,270,340	2,477,171	942,252	(1,534,919)	Mr. Boota Dogar	Negotiation
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*Vehicles*

Honda City	1,893,780	953,455	940,325	892,707	(47,618)	Mr. Abdul Hye Khan Ghouri	Negotiation
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Honda Civic	2,674,818	1,794,986	879,832	1,774,240	894,408	Mr. Mirza Ikrash	Negotiation
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Total 2017	<u>10,316,109</u>	<u>6,018,781</u>	<u>4,297,328</u>	<u>3,609,199</u>	<u>(688,129)</u>		
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## Note 18

## Intangible Assets

	Note	2019 Rupees	2018 Rupees
Net carrying value			
Opening balance of net book value		363,602	454,503
Amortization	32	(72,721)	(90,901)
Net book value as at June 30		<u>290,881</u>	<u>363,602</u>
Gross carrying value			
Cost		3,630,520	3,630,520
Accumulated amortization		(3,339,639)	(3,266,918)
Net book value		<u>290,881</u>	<u>363,602</u>
Amortization rate per annum		<u>20%</u>	<u>20%</u>

18.1 Amortization charge for the year has been allocated to cost of sales.

18.2 Intangible assets include ERP system and other software implemented and used by the Company.

## Note 19

## Long Term Loans

	Note	2019 Rupees	2018 Rupees
Loans to employees - (Secured - considered good)			
- Due from executives	19.1	5,857,088	5,947,088
- Due from other employees		5,092,749	5,351,264
		10,949,837	11,298,352
Less: Current portion			
- Due from executives	25	(1,171,418)	(1,486,772)
- Due from other employees		(1,566,042)	(1,337,817)
		(2,737,460)	(2,824,589)
		<u>8,212,377</u>	<u>8,473,763</u>

19.1 Reconciliation of carrying amount of loan to executives:

Opening balance	5,947,088	8,225,978
Disbursement during the year	-	90,000
	5,947,088	8,315,978
Recoveries/adjusted during the year	(90,000)	(2,368,890)
Closing Balance	<u>5,857,088</u>	<u>5,947,088</u>

19.2 This represents interest free loans given to executives and other employees for construction of houses and other purposes as per the Company's policy. These loans shall be recovered in monthly installments from salary and are secured against gratuity balances.

19.3 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 5.947 million (2018: Rs. 8.050 million)

19.4 Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material.

## Note 20

## Long Term Deposits

	Note	2019 Rupees	2018 Rupees
Security deposits against:			
- Utilities		37,762,809	7,146,349
- Finance lease		467,475	820,725
Less: Current portion	26	(467,475)	(353,250)
		-	467,475
		<u>37,762,809</u>	<u>7,613,824</u>

## Note 21

## Stores and Spares

	2019 Rupees	2018 Rupees
Stores	-	1,626,149
Spares	15,292,701	20,166,223
	<u>15,292,701</u>	<u>21,792,372</u>

21.1 No identifiable stores and spares were held for specific capitalization.

## Note 22

## Stock in Trade

	2019 Rupees	2018 Rupees
Raw and packing materials	5,924,537	6,685,796
Work in process	3,477,154	7,454,142
Finished goods	26,595,063	16,991,911
	<u>35,996,754</u>	<u>31,131,849</u>

22.1 Short term borrowings availed by the Company are secured by way of hypothecation charge on present and future current assets of the Company (including stock in trade) as per detail given in Note 13 to these financial statements.

## Note 23

## Short Term Investment

	2019 Rupees	2018 Rupees
Sales tax refund bond	<u>7,500,000</u>	<u>-</u>

23.1 During the year, the Company applied for sales tax refund amounting to Rs. 14.582 million against which refund of Rs. 7.500 million was received through Central Depository Company of Pakistan Limited (CDC) in form of government bonds, carrying markup @ 10% having maturity after three years. The bonds are freely transferable within Central Depository System (CDS). These can also be sold/transferable to another bank, person or entity at any time.

## Note 24

## Trade Debts

	2019 Rupees	2018 Rupees
Local - Unsecured		
Trade debts (Considered good)	<u>52,697,603</u>	<u>23,817,291</u>

24.1 Trade debts do not include any amount due from related parties.

## Note 25

## Loans and Advances

	Note	2019 Rupees	2018 Rupees
Current portion of loan to employees:			
- Due from executives	19	1,171,418	1,486,772
- Due from other employees		1,566,042	1,337,817
		<u>2,737,460</u>	<u>2,824,589</u>
Advances - Considered good:			
- Suppliers and contractors	25.1	2,608,674	28,837,276
- Employees	25.2	5,465,751	9,474,084
		<u>10,811,885</u>	<u>41,135,949</u>

25.1 Advances to suppliers and contractors do not include any amount given to related parties.

25.2 This represents interest-free loans given to employees as per the Company's policy. These loans are recoverable from salary in installments and are secured against their gratuity balances of employees. Advances to employees do not include any amount given to directors of the Company.

## Note 26

## Trade deposits and Other Receivables

	Note	2019 Rupees	2018 Rupees
Security deposits		212,000	286,992
Deposit against finance lease	20	467,475	353,250
Export rebate		2,541,806	2,599,889
Margin against letter of credit		5,396,901	5,437,461
Margin against bank guarantee		-	3,730,490
		<u>8,618,182</u>	<u>12,408,082</u>

## Note 27

## Tax Refunds Due From Government

	2019 Rupees	2018 Rupees
Tax deducted at source and advance tax	44,929,005	42,507,463
Sales tax refundable - net	6,544,134	7,337,895
	<u>51,473,139</u>	<u>49,845,358</u>

## Note 28

## Cash and Bank Balance

	2019 Rupees	2018 Rupees
Imprest with staff	33,216	145,216
Cash in hand	1,034,969	476,998
Cash at bank - in current accounts	1,278,599	1,839,295
	<u>2,346,784</u>	<u>2,461,509</u>

## Note 29

## Sales

	2019	2018
	Rupees	Rupees
Local		
- Grey cloth	74,522,834	49,502,955
- Yarn	597,264,691	1,382,580,586
	671,787,525	1,432,083,541
Waste sales	22,457,962	25,899,841
Processing income	631,351,251	492,050,068
	1,325,596,738	1,950,033,450
Sales tax	-	-
Commission	(90,771)	(2,886,481)
	<u>1,325,505,967</u>	<u>1,947,146,969</u>

## Note 30

## Cost of Sales

	Note	2019	2018
		Rupees	Rupees
Raw materials consumed	30.1	537,808,190	993,715,913
Salaries, wages and other benefits	30.2	259,324,936	309,220,769
Fuel and power		346,886,998	420,490,996
Stores, spares and chemicals consumed		104,044,642	138,842,142
Packing material		13,979,643	23,785,910
Insurance		556,986	199,623
Repairs and maintenance		14,296,781	17,842,935
Miscellaneous		4,363,328	16,518,117
Amortization	18	72,721	90,901
Depreciation	17.4	41,536,376	40,699,906
		1,322,870,601	1,961,407,212
Work in process:			
- Opening work in process		7,454,142	29,595,094
- Closing work in process		(3,477,154)	(7,454,142)
		3,976,988	22,140,952
Cost of goods manufactured		1,326,847,589	1,983,548,164
Finished goods:			
- Opening finished goods		16,991,911	36,118,947
- Closing finished goods		(26,595,063)	(16,991,911)
		(9,603,152)	19,127,036
		<u>1,317,244,437</u>	<u>2,002,675,200</u>
30.1 Raw materials consumed:			
- Opening stock		6,685,796	11,941,884
- Purchases		534,857,380	983,414,397
- Purchase expenses		2,189,551	5,045,428
		543,732,727	1,000,401,709
- Closing stock		(5,924,537)	(6,685,796)
		<u>537,808,190</u>	<u>993,715,913</u>

30.2 This includes Rs. 5.927 million (2018: Rs. 6.832 million), approximately, in respect of employee benefits - gratuity scheme.



## Note 31

## Distribution Cost

	2019	2018
	Rupees	Rupees
Salaries, wages and other benefits	3,788,094	2,100,727
Freight, octroi and other charges	5,305,073	8,394,932
Commission, claims and promotion	673,823	74,352
Travelling and conveyance	263,813	359,522
Printing and stationery	-	2,698
Communication	26,000	44,172
Testing, sampling and others	4,900	16,169
	<u>10,061,703</u>	<u>10,992,572</u>

## Note 32

## Administrative Expenses

		2019	2018
	Note	Rupees	Rupees
Salaries, wages and other benefits	32.1	33,415,405	29,611,810
Traveling and conveyance		131,230	247,006
Rent, rates and taxes		1,223,520	1,218,400
Printing and stationery		522,141	346,615
Communications		956,497	772,002
Entertainment		278,584	568,326
Electricity and gas		3,883,250	1,880,280
Vehicles' running and maintenance		1,346,646	1,026,353
Legal and professional charges		5,320,734	7,398,560
Fees and subscriptions		594,611	1,105,746
Repairs and maintenance		253,224	446,418
Insurance		102,600	-
Advertisement		168,220	46,450
Miscellaneous		187,125	800,757
Depreciation	17.4	1,349,778	2,026,312
		<u>49,733,565</u>	<u>47,495,035</u>

32.1 This includes Rs. 2.163 million (2018: Rs. 1.248 million), approximately, in respect of employee benefits - gratuity scheme.

## Note 33

## Other Operating Charges

		2019	2018
	Note	Rupees	Rupees
Auditors' remuneration	33.1	1,100,000	1,100,000
Loss on sale of property, plant and equipment		-	688,129
Loss on sale of store and spares and raw material		-	1,497,647
		<u>1,100,000</u>	<u>3,285,776</u>

## 33.1 Auditors' remuneration

Audit fee	850,000	850,000
Certification and reviews	250,000	250,000
	<u>1,100,000</u>	<u>1,100,000</u>

## Note 34

## Finance Cost

	2019	2018
	Rupees	Rupees
Mark up on:		
- Long term loan	10,572,301	8,558,441
- Short term borrowings	180,365	38,734,210
- Finance lease charges	307,414	250,873
Bank charges and commissions	250,169	604,171
	<u>11,310,249</u>	<u>48,147,695</u>

## Note 35

## Other Operating Income

	2019	2018
	Rupees	Rupees
Gain on disposal of property, plant and equipment	<u>5,190</u>	<u>-</u>

## Note 36

## Taxation

	2019	2018
	Rupees	Rupees
For the year		
- Current	16,569,959	24,375,418
- Deferred	(6,217,423)	(24,843,941)
	<u>10,352,536</u>	<u>(468,523)</u>
Prior year adjustment	-	-
	<u>10,352,536</u>	<u>(468,523)</u>

36.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the Company has declared accounting loss for the year. Therefore minimum tax @ 1.25% has been provided in these financial statements. Sufficient tax provision has been incorporated in these financial statements.

## Note 37

## Loss per Share

	2019	2018
	Rupees	Rupees
		Number of shares
Weighted average number of ordinary shares outstanding during the year	90,000,000	74,849,315
Loss after taxation	(74,291,333)	(164,980,786)
Loss per share - basic (Rupees per share)	<u>(0.83)</u>	<u>(2.20)</u>
Diluted loss per share		

37.1 There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitment that would result in dilution of earnings of the Company.

## Note 38

## Cash Generated from Operations

	2019	2018
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(63,938,797)	(165,449,309)
Adjustments for:		
- Depreciation	42,886,154	42,726,218
- Amortization of intangible asset	72,721	90,901
- Provision for gratuity	8,556,792	8,079,757
- (Gain) / Loss on disposal of property, plant and equipment	(5,190)	688,129
- Loss on sale of stores and raw material - net	-	1,497,647
- Finance cost	11,310,249	48,147,695
	<u>62,820,726</u>	<u>101,230,347</u>
Operating loss before working capital changes	(1,118,071)	(64,218,962)
(Increase) / decrease in current assets		
- Stores and spares	6,499,671	1,709,617
- Stock in trade	(4,864,905)	42,191,463
- Short term investment	(7,500,000)	-
- Trade debts	(28,880,312)	(9,805,562)
- Loans and advances	30,236,935	(19,814,279)
- Trade deposits and short term prepayments	(2,062,266)	9,723,653
- Other receivables	3,771,050	3,762,300
- Tax refund due from government	793,761	14,540,800
(Decrease) / increase in current liabilities		
- Trade and other payables	104,622,828	44,826,807
	102,616,762	87,134,799
Cash generated from operations	<u>101,498,691</u>	<u>22,915,837</u>

## Note 39

## Liabilities Arising from Financing Activities

	As at June 30, 2018	Non-Cash Changes	Cash Flows (Net)	As at June 30, 2019
	----- Rupees -----			
Long term loan	96,845,172	-	(3,668,219)	93,176,953
Liabilities against assets subject to finance lease	1,754,163	-	(1,159,847)	594,316
Short term borrowings	547,053,850	-	37,018,659	584,072,509
Total liabilities from financing activities	<u>548,808,013</u>	<u>-</u>	<u>35,858,812</u>	<u>584,666,825</u>

	As at June 30, 2017	Non-Cash Changes	Cash Flows (Net)	As at June 30, 2018
	----- Rupees -----			
Long term loan	108,449,881	-	(11,604,709)	96,845,172
Liabilities against assets subject to finance lease	4,804,529	-	(3,050,366)	1,754,163
Short term borrowings	518,014,235	-	29,039,615	547,053,850
Total liabilities from financing activities	<u>113,254,410</u>	<u>-</u>	<u>(14,655,075)</u>	<u>98,599,335</u>

## Note 40

## Remuneration of Chief Executive and Executives

The aggregate amounts charged in the accounts for the year as remuneration and benefits to the chief executive and executives of the Company are as follows:

	2019		2018	
	Chief Executive	Executive	Chief Executive	Executives
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	5,000,000	9,107,057	5,000,000	9,066,257
House rent allowance	2,000,000	3,526,778	2,000,000	3,417,103
Utilities	500,000	998,982	500,000	911,431
Car allowance and others	945,638	1,270,740	293,941	981,471
	<u>8,445,638</u>	<u>14,903,557</u>	<u>7,793,941</u>	<u>14,376,262</u>
Number of persons	1	3	1	3

- 40.1 Neither any director remuneration nor any meeting fee have been paid to any director of the Company.
- 40.2 Chief executive and certain executives are provided with free use of Company maintained vehicles.
- 40.3 An executive is defined as an employee, other than the chief executive and directors, whose basic salary exceeds Rs. 1.2 million in a financial year.

## Note 41

## Transaction with Related Parties

Related parties and associated undertaking comprise related group companies, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

	2019	2018
	Rs. (million)	Rs. (million)
Associates and related parties		
Sale of material, goods and services		
- Chakwal Textile Mills Limited	-	0.252
- Kohinoor Spinning Mills Limited	-	0.986
Purchase of material, goods and services		
Chakwal Spinning Mills Limited	-	2.725
- Kohinoor Spinning Mills Limited	-	0.359
Short term funds availed from directors	35.881	64.344
Rent of building - Director	-	1.200
Rental charged against lease of Chakwal Spinning Mills Limited	-	7.500

There were no transactions with key management personnel other than undertaken as per terms of their employment as disclosed in Note 40.

Sale and purchase transactions have been carried out on commercial terms and conditions as per Company's policy.

41.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place.

Sr. No.	Company Name	Relationship	Aggregate % of Shareholding
1	Kohinoor Spinning Mills Limited	Associate - Common Directorship	Nil
2	Chakwal Spinning Mills Limited	Associate - Common Directorship	Nil

Note 42  
Segment Reporting

For management purposes, the activities of the Company are organized into two operating segment i.e., weaving and spinning. The Company operates in the said reportable operating segments based on the nature of products, risks and returns, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements related to the Company's reportable segment.

Information regarding the Company's reportable segment is presented below:

42.1 Segment revenues and results

	Weaving Segment	Spinning Segment	Total
	Rupees	Rupees	Rupees
<i>For the year ended June 30, 2019</i>			
Sales - net	721,633,149	603,872,818	1,325,505,967
Cost of sales	(648,867,216)	(668,377,221)	(1,317,244,437)
Gross Profit / (Loss)	72,765,933	(64,504,403)	8,261,530
Distribution cost	(6,231,747)	(3,829,956)	(10,061,703)
Administrative expenses	(40,163,597)	(9,569,968)	(49,733,565)
	(46,395,344)	(13,399,924)	(59,795,268)
Operating Profit / (Loss)	26,370,589	(77,904,327)	(51,533,738)
Other operating charges	(1,100,000)	-	(1,100,000)
Finance cost	(11,188,033)	(122,216)	(11,310,249)
Other operating income	5,190	-	5,190
Profit / (Loss) before Taxation	<u>14,087,746</u>	<u>(78,026,543)</u>	(63,938,797)
Taxation			(10,352,536)
Loss after taxation			<u>(74,291,333)</u>
<i>For the year ended June 30, 2018</i>			
Sales - net	544,653,494	1,402,493,475	1,947,146,969
Cost of sales	(534,133,968)	(1,468,541,232)	(2,002,675,200)
Gross Profit / (Loss)	10,519,526	(66,047,757)	(55,528,231)
Distribution cost	(1,454,752)	(9,537,820)	(10,992,572)
Administrative expenses	(36,025,698)	(12,569,337)	(48,595,035)
	(37,480,450)	(22,107,157)	(59,587,607)
Operating Loss	(26,960,924)	(88,154,914)	(115,115,838)
Other operating charges	(3,328,353)	(47,618)	(3,375,971)
Finance cost	(44,734,631)	(3,413,064)	(48,147,695)
Other operating income	894,408	295,787	1,190,195
Loss before Taxation	<u>(74,129,500)</u>	<u>(91,319,809)</u>	(165,449,309)
Taxation			468,523
Loss after taxation			<u>(164,980,786)</u>

Note 42 - Segment Reporting ... Contd.

42.1.1 Revenue reported above represents revenue generated from external customers. Inter-segment sales during the year is Rs. Nil (2018 : Nil)

42.1.2 The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 4 to the financial statements.

42.2 Entity-wide disclosures regarding single reportable segment are as follows:

- *Information about products*

One product of the weaving segment comprises 11.23% (2018: 8.49%) of total sales for the year.

One product of the spinning segment comprises 29.96% (2018: 52.93%) of total sales for the year.

- *Information about major customers*

One customer of the weaving segment accounts for 23.22% (2018: 14.17%) of total sales for the year.

One customer of the spinning segment accounts for 21.04% (2018: 20.22%) of total sales for the year.

- *Information about geographical area*

	2019	2018
	Rupees	Rupees
Local sale	<u>1,325,596,738</u>	<u>1,950,033,450</u>

- All non-current assets of the Company are located in Pakistan as at reporting date.

42.3 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Weaving Segment	Spinning Segment	Total
	Rupees	Rupees	Rupees
<i>As at June 30, 2019</i>			
Segment assets for reportable segments	788,911,337	216,008,505	1,004,919,842
Unallocated assets			51,473,140
Total assets as per balance sheet			<u>1,056,392,982</u>
Segment liabilities for reportable segments	984,775,628	89,001,668	1,073,777,296
Unallocated liabilities			254,399,500
Total liabilities as per balance sheet			<u>1,328,176,796</u>
<i>As at June 30, 2018</i>			
Segment assets for reportable segments	603,710,529	125,408,695	729,119,224
Unallocated assets			253,678,687
Total assets as per balance sheet			<u>982,797,911</u>
Segment liabilities for reportable segments	884,708,822	153,889,166	1,038,597,988
Unallocated liabilities			141,903,582
Total liabilities as per balance sheet			<u>1,180,501,570</u>

Note 42 - Segment Reporting ... Contd.

For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments other than those directly relating to corporate and tax assets; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities.

#### 42.4 Other Segment Information

	Weaving Segment Rupees	Spinning Segment Rupees	Total Rupees
<i>For the year ended 30 June 2019</i>			
Capital expenditure	83,521,519	1,015,000	84,536,519
Depreciation and amortization	36,941,363	6,017,512	42,958,875
Non-cash items other than depreciation and amortization - net	19,739,635	122,216	19,861,851
	Weaving Segment Rupees	Spinning Segment Rupees	Total Rupees
<i>For the year ended 30 June 2018</i>			
Capital expenditure	13,710,640	2,696,000	16,406,640
Depreciation and amortization	36,374,355	6,442,764	42,817,119
Non-cash items other than depreciation and amortization - net	7,926,230	5,908,010	13,834,240



Note 43  
Financial Risk Management

43.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) 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 foreign currency, interest rate, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Since there have been no foreign currency receivables and payables as at reporting date therefore the Company is not exposed to currency risk with respect to foreign receivables and payables.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity and commodity price risk.

(iii) Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

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

	2019	2018
	Rupees	Rupees
Floating rate instruments		
Financial liabilities		
Long term loan	93,176,953	96,845,172
Liabilities against assets subject to finance lease	594,316	1,754,163
Short term borrowings	584,072,509	547,053,850
Financial assets		
Bank balances - saving accounts	-	-

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, (loss)/ profit before taxation for the year would have been Rs. 6.778 million (2018: Rs. 6.463 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

Note 43 - Financial Risk Management ... Contd.

(b) Credit risk

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

	2019	2018
	Rupees	Rupees
Long term loans	8,212,377	8,473,763
Long term deposits	37,762,809	7,146,349
Short term investment	7,500,000	-
Trade debts	52,697,603	23,817,291
Short term loans to employees	5,465,751	9,474,084
Trade deposits and other receivables	2,753,806	6,617,371
Bank balances	1,278,599	1,839,295

The aging of trade debts at balance sheet date is as follows:

	2019	2018
	Rupees	Rupees
1 - 30 days	19,905,721	14,805,562
31 - 60 days	17,367,883	2,323,580
61 - 120 days	8,124,654	5,299,521
120 days and above	7,299,345	1,388,628
	<u>52,697,603</u>	<u>23,817,291</u>

The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of parties and trade debts are subject to specific credit ceilings based on customer credit history.

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

	Agency	Rating	
		Short Term	Long Term
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR - VIS	A-1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
United Bank Limited	JCR - VIS	A1+	AA+
Al-Baraka Bank (Pakistan) Limited	PACRA	A1	A
Bank Of Punjab	PACRA	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR - VIS	A-1+	AAA

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

Note 43 - Financial Risk Management ... Contd.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 906.568 million (2018: Rs. 906.568 million) worth short term borrowing limits available from financial institutions and Rs. 2.347 million (2018: Rs. 2.397 million) cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2019:

Description	Carrying Amount	On Demand	Contractual cash flows	Within 1 Year	1-2 Years	2-5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term loan	93,176,953	-	93,176,953	93,176,953	-	-
Liabilities against leased assets	594,316	-	594,316	594,316	-	-
Trade and other payables	426,385,602	-	426,385,602	426,385,602	-	-
Accrued mark up	135,933,540	-	135,933,540	135,933,540	-	-
Short term borrowings	584,072,509	584,072,509	-	-	-	-
	<u>1,240,162,920</u>	<u>584,072,509</u>	<u>656,090,411</u>	<u>656,090,411</u>	<u>-</u>	<u>-</u>

Contractual maturities of financial liabilities as at June 30, 2018:

Description	Carrying Amount	On Demand	Contractual cash flows	Within 1 Year	1-2 Years	2-5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term loan	96,845,172	-	96,845,172	30,743,401	14,422,205	51,679,566
Liabilities against leased assets	1,754,163	-	1,754,163	1,161,202	592,961	-
Trade and other payables	324,745,888	-	324,745,888	324,745,888	-	-
Accrued mark up	125,929,168	-	125,929,168	125,929,168	-	-
Short term borrowings	547,053,850	547,053,850	-	-	-	-
	<u>1,096,328,241</u>	<u>547,053,850</u>	<u>549,274,391</u>	<u>482,579,659</u>	<u>15,015,166</u>	<u>51,679,566</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates/mark up rates effective as at 30th June. The rates of interest / mark up have been disclosed in Note 8 and Note 13 to these financial statements.

(d) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

As at June 30, 2019 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values.

The Company classifies the financial instruments measured in the statement of financial position at fair value in accordance with the following fair value measurement hierarchy:

Level 1	Quoted market prices
Level 2	Valuation techniques (market observable)
Level 3	Valuation techniques (non market observable)

Note 43 - Financial Risk Management ... Contd.

#### 43.2 Financial instruments by categories

Financial asset as at amortized cost	2019	2018
	Rupees	Rupees
Long term loans	8,212,377	8,473,763
Long term deposits	37,762,809	7,146,349
Short term investment	7,500,000	-
Trade debts	52,697,603	23,817,291
Short term loans to employees	5,465,751	9,474,084
Trade deposits and other receivables	2,753,806	6,617,371
Cash and Bank Balance	2,346,784	2,461,509
	<u>116,739,130</u>	<u>57,990,367</u>
Financial liabilities at amortized cost	2019	2018
	Rupees	Rupees
Long term loan	93,176,953	96,845,172
Liabilities against assets subject to finance lease	594,316	1,754,163
Trade and other payables	426,385,602	324,745,888
Accrued mark up	135,933,540	125,929,168
Short term borrowings	584,072,509	547,053,850
	<u>1,240,162,920</u>	<u>1,096,328,241</u>

#### 43.3 Fair values of financial assets and liabilities

Carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

#### Note 44 Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal operating level, and regulate its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

As on the balance sheet date, the gearing ratio of the Company was as under:

	2019	2018
	Rupees	Rupees
Total borrowings	677,843,778	645,060,224
Cash and bank balances	(2,346,784)	(2,461,509)
Net Debt	<u>675,496,994</u>	<u>642,598,715</u>
Equity	(271,783,814)	(197,703,659)
Total Capital Employed	<u>403,713,180</u>	<u>444,895,056</u>
Gearing Ratio	<u>167%</u>	<u>144%</u>

Note 45  
Plant Capacity and Production

	2019	2018
Air Jet Looms installed	252	206
Installed capacity converted into 50 picks based on 364 days (Sq. Meters approximately)	121,345,183	99,194,872
Actual production converted into 50 picks - (Sq. Meters)	<u>79,313,492</u>	<u>65,343,494</u>
Number of spindles installed	17,976	17,976
Installed capacity in 20's count (Kgs) - approximately	8,853,756	8,853,756
Actual production after conversion into 20's count (Kgs)	<u>2,283,603</u>	<u>4,242,794</u>

45.1 Under utilization of installed capacities is mainly due to non availability of sufficient liquid funds.

Note 46  
Number of Employees

		2019	2018
Average number of employees during the year	Note	820	954
Number of Employees as at June 30,	46.1	583	1,057
46.1 This includes factory employees as at June 30,		541	1,016

Note 47  
Authorization of Financial Statements

These financial statements were authorized for issue on November 05, 2019 by the Board of Directors of the Company.

Note 48  
General

Comparative figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. Following re-arrangements / reclassifications have been made in these financial statements for better presentation:

Nature	From	To	Amount (Rupees)
Auditors' remuneration	Administrative Expenses	Other operating charges	1,100,000
Other receivables	Other receivables	Trade deposits and other receivables	9,167,951

Lahore:  
November 05, 2019

Chief Executive Officer

Director

Chief Financial Officer

## KEY FINANCIAL DATA OF LAST FIVE YEARS

Rupees in '000

	2019	2018	2017	2016	2015	2014
Sales	1,325,506	1,947,147	1,482,551	1,309,076	1,708,644	2,748,395
Gross Profit	8,262	(55,528)	(1,918)	(127,162)	(178,572)	257,874
(Loss) / Profit Before Taxation	(63,939)	(165,449)	(105,990)	(407,148)	(344,861)	42,239
Tax	(10,352)	469	(16,555)	(2,717)	(2,679)	(32,935)
(Loss) / Profit After Taxation	(74,291)	(164,981)	(122,545)	(409,865)	(347,539)	10,304
Total Assets	1,056,393	982,798	836,373	947,048	13,343,454	1,677,827
Current Liabilities	(1,306,686)	(1,078,798)	(927,806)	(980,271)	(923,126)	940,102
	(250,293)	(96,000)	(91,433)	(33,223)	420,328	737,725

Share Capital	900,000	900,000	900,000	400,000	400,000	400,000
Accumulated Loss	(1,375,617)	(1,301,537)	(1,134,022)	(1,012,798)	(602,188)	(253,539)
Revaluation Surplus	203,833	203,833	-	-	-	-
Equity	(271,784)	(197,704)	(234,022)	(612,798)	(202,188)	146,461
Long Term Loans & Leases	-	66,695	82,278	537,188	570,355	524,212
Deferred Liability	21,491	35,009	60,311	42,387	52,161	67,052
	(250,293)	(96,000)	(91,433)	(33,223)	420,328	737,725

Categories of Shareholding required under Code of Corporate Governance (CCG)  
As on June 30, 2019

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties			
		-	-
Mutual Funds (Name Wise Detail)			
1	GOLDEN ARROW SELECTED STOCKS	1,000	0.001%
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	KHAWAJA MOHAMMAD NADEEM	11,690,000	12.989%
2	MRS. ALIA KHANUM	500	0.001%
3	KH. SHAHZAD YOUNUS	500	0.001%
4	MRS. NARGIS SULTANA	500	0.001%
5	MR. KHALID MAHMOOD	500	0.001%
6	MR. WASIM BAIG	500	0.001%
7	SHEIKH MAQBOOL AHMED	500	0.001%
Executives:			
		-	-
Public Sector Companies & Corporations:			
		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:			
		278,283	0.309%

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

Sr. No.	Name	Holding	Percentage
1	KHAWAJA MOHAMMAD KALEEM	15,026,289	16.696%
2	KHAWAJA MOHAMMAD JAWED	14,138,000	15.709%
3	KHAWAJA MOHAMMAD NADEEM	11,690,000	12.989%
4	KHAWAJA MUHAMMAD NAVEED	11,711,350	13.013%

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

Sr. No.	Name	Sale	Purchase
1	KHAWAJA MOHAMMAD NADEEM	4,829,400	
2	SHEIKH MAQBOOL AHMED		500

## THE COMPANIES ACT, 2017

FORM 34

(Section 227(2)(f))

## PATTERN OF SHAREHOLDING

1.1 Name of the Company YOUSAF WEAVING MILLS LIMITED

2.1. Pattern of holding of the shares held by the shareholders as at June 30, 2019

2.2 No. of Shareholders	-----Shareholdings-----		Total Shares Held
	From	To	
147	1	100	4,497
231	101	500	105,554
245	501	1,000	242,268
619	1,001	5,000	1,935,526
267	5,001	10,000	2,221,000
105	10,001	15,000	1,381,290
75	15,001	20,000	1,410,801
57	20,001	25,000	1,353,484
40	25,001	30,000	1,143,125
26	30,001	35,000	868,500
17	35,001	40,000	661,375
15	40,001	45,000	641,000
32	45,001	50,000	1,582,500
11	50,001	55,000	593,000
12	55,001	60,000	691,500
6	60,001	65,000	376,500
7	65,001	70,000	473,500
4	70,001	75,000	285,000
8	75,001	80,000	631,750
3	85,001	90,000	266,500
6	90,001	95,000	545,100
17	95,001	100,000	1,700,000
3	100,001	105,000	310,500
7	105,001	110,000	755,169
8	110,001	115,000	908,500
4	120,001	125,000	491,500
1	125,001	130,000	130,000
2	130,001	135,000	265,000
2	135,001	140,000	274,000
5	145,001	150,000	750,000
2	150,001	155,000	308,047
1	155,001	160,000	159,500
1	160,001	165,000	165,000
2	165,001	170,000	339,000
1	170,001	175,000	171,000
3	175,001	180,000	536,500
2	185,001	190,000	380,000
6	195,001	200,000	1,199,000
1	200,001	205,000	205,000
1	210,001	215,000	213,500
2	220,001	225,000	441,500
2	225,001	230,000	457,500
1	245,001	250,000	249,000
3	250,001	255,000	756,000
1	270,001	275,000	275,000
1	275,001	280,000	278,139
1	295,001	300,000	300,000
1	300,001	305,000	304,000
1	330,001	335,000	332,000
1	350,001	355,000	352,500
1	400,001	405,000	403,500
1	520,001	525,000	525,000
1	750,001	755,000	753,375
1	870,001	875,000	872,500
1	1,155,001	1,160,000	1,156,875
1	2,090,001	2,095,000	2,092,000
1	2,995,001	3,000,000	3,000,000
1	10,270,001	10,275,000	10,271,320
1	11,495,001	11,500,000	11,500,000
1	15,000,001	15,005,000	15,004,805
1	13,995,001	14,000,000	14,000,000
2,027			90,000,000









2.3 Categories of shareholders	Share held	Percentage
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	11,693,500	12.993%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	-	0.000%
2.3.3 NIT and ICP	1,100	0.001%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	6,267	0.007%
2.3.5 Insurance Companies	153,047	0.170%
2.3.6 Modarabas and Mutual Funds	5,200	0.006%
2.3.7 Share holders holding 10% or more	52,565,639	58.406%
2.3.8 General Public		
a. Local	76,387,165	84.875%
b. Foreign	-	0.000%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	1,627,439	1.808%
2- Foreign Companies	6,700	0.007%
3- Leasing Companies	6,100	0.007%
4- Pension Funds	108,669	0.121%
5- Others	4,813	0.005%










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notifications, corporate and  
regulatory actions)
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## جہاں رہیئے، آگاہ رہیئے

SECP کی جانب سے پیش ہے "جمع پونجی" ایک ایسا ویب پورٹل جو آپ کو سرمایہ کاری سے متعلق ہر قسم کی معلومات فراہم کرتا ہے، تاکہ آپ ایک اچھی سرمایہ کاری کا فیصلہ کر سکیں۔ جمع پونجی میچل ٹنڈرز، ڈیشن ٹنڈرز، اسلامک ٹرانسک، کپٹل مارکیٹ، لیڈنگ کمپنیز اور انوسٹمنٹ بینک وغیرہ میں سرمایہ کاری سے متعلق آپ کے سوالات کے جوابات فراہم کرتا ہے، اور ساتھ ہی آن لائن ٹور کے ذریعے کھیل سی کیبل میں منافع بخش سرمایہ کاری کے سلسلے میں آپ کو رہنمائی بھی فراہم کرتا ہے۔

مفت آن لائن ٹور:

- سکیم مینز
- ہانگ سینٹرز
- ٹاک ٹریڈنگ
- کیملو لینرز
- رسک پروڈاکٹر
- ٹنڈر لینرز سکرپشن

کھیل ہی کھیل  
میں سیکھیں  
سرمایہ کاری کا ہنر



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

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Form of Proxy - 32nd Annual General Meeting

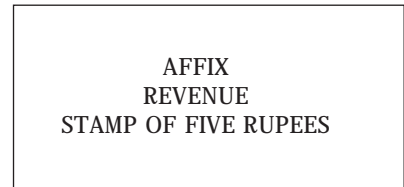
The Corporate Secretary  
 Yousaf Weaving Mills Limited  
 7/1 E-3 Main Boulevard Gulberg III, Lahore

Folio # / CDC A/C #.	
Participant I.D	
Account #	
Shares held	

I/We \_\_\_\_\_ of \_\_\_\_\_  
 being a member (s) of Yousaf WEAVING MILLS LIMITED hold \_\_\_\_\_ ordinary shares hereby appoint  
 Mr./Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_ or failing  
 him/her \_\_\_\_\_ of \_\_\_\_\_ as my /our Proxy to  
 attend and vote for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company to be held  
 on Wednesday, 27th November 2019 at 11:00 noon at 7/1 E-3 Main Boulevard Gulberg III, Lahore and at every  
 adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

- Witness: \_\_\_\_\_  
 Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 CNIC: \_\_\_\_\_



- Witness: \_\_\_\_\_  
 Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 CNIC: \_\_\_\_\_

Signature: \_\_\_\_\_

(Signature appended above should agree with the specimen signatures registered with the Company.)

**IMPORTANT**

- This Form of proxy, duly completed and signed, must be received at the registered office of the company, at 7/1 E-3 Main Boulevard Gulberg III, Lahore Pakistan, not less than 48 hours before the time of holding the meeting.
- If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.

## پراکسی فارم (مختارنامہ)

رجسٹر فوئیو نمبر

یکٹری

یوسف و یونگ ملز لیمیٹڈ

E-3 7/1 مین بولیوار ڈگلبگ-III لاہور۔

میں / ہم

ساکن

بحیثیت رکن حال

عام حصص بمطابق شیئر رجسٹر فوئیو نمبر

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_ پارٹیشن (شرکت) آئی ڈی نمبر \_\_\_\_\_)

بذریعہ ہذا

محترم / محترمہ

ساکن

جو کمپنی کا ممبر ہے بمطابق چیئر رجسٹر فوئیو نمبر \_\_\_\_\_

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_ پارٹیشن (شرکت) آئی ڈی نمبر \_\_\_\_\_)

یا اسکی غیر موجودگی میں محترم / محترمہ

ساکن

جو کمپنی کا ممبر ہے بمطابق چیئر رجسٹر فوئیو نمبر \_\_\_\_\_

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_ پارٹیشن (شرکت) آئی ڈی نمبر \_\_\_\_\_) کو

موردہ 27 نومبر 2019ء بوقت صبح 11:00 کو منعقد ہونے والے کمپنی کے 32 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التوا کی صورت میں  
 کرتا ہوں / کرتے ہیں۔

5 روپے کارسیدی ٹکٹ  
 چسپاں کریں

اپنا / ہمارا بطور مختار (پراکسی) مقرر دستخط کمپنی کے ہاں رجسٹرڈ نمونہ دستخطوں کے

مطابق ہونے چاہئیں

دستخط \_\_\_\_\_ آج بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ 2019ء

_____	1. گواہ	_____	2. گواہ
_____	دستخط	_____	دستخط
_____	نام	_____	نام
_____	پتہ	_____	پتہ
_____	شناختی کارڈ نمبر	_____	شناختی کارڈ نمبر

## نوٹ:

1. اگر ایک ممبر اجلاس میں شرکت کے قابل نہیں ہے تو وہ اس فارم پر دستخط کرے اور کمپنی کے رجسٹرڈ آفس بمقام E-3 7/1 مین بولیوار ڈگلبگ-III لاہور پر اس طور ارسال کر دے کہ اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل پہنچ جانا چاہیے۔
2. اگر کوئی ممبر ایک سے زیادہ مختار نامزد کرے گا یا پراکسی فارم جمع کرائے گا تو وہ باطل تصور کیا جائے گا۔



**Book Post**  

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**Printed Matter**

If undelivered please return to:

**Yousaf Weaving Mills Limited**  
**Corporate & Shares Department**  
7/1-E-3 Main Boulevard Gulberg III, Lahore.  
Tel : (042) 3571 7510 Fax : (042) 3575 5760